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IMPROVING INCOME SECURITY FOR OLDER WOMEN IN RETIREMENT: CURRENT ISSUES AND LEGISLATIVE REFORM PROPOSALS

FORUM

BEFORE THE

SPECIAL COMMITTEE ON AGING
UNITED STATES SENATE

ONE HUNDRED THIRD CONGRESS

FIRST SESSION

WASHINGTON, DC

SEPTEMBER 23, 1993

Serial No. 103–13

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PREFACE

In September 1993, the National Eldercare Institute on Older Women and the National Council of Negro Women held a Conference on the needs of older women. In conjunction with this Conference, the Senate Special Committee on Aging hosted this Forum on improving income security for older women in retirement.

In many ways, aging is a women's issue. Not only do women make up a large majority of the older population, but they also comprise the vast amount of caregivers for our Nation's elderly. Moreover, elderly women compose 75 percent of the nursing home population, are almost three times as likely as men to be widowed, and experience poverty rates twice as high as elderly men. These health and socio-economic characteristics of older women make gender an important factor in determining the life course of the majority of America's elderly. Therefore, an understanding of the special needs and characteristics of older women is imperative if we are to be successful in developing meaningful policy for our elderly population as a whole.

This Forum on improving income security for older women in retirement provides an opportunity for policymakers to examine a wide array of issues including—income and the older, single woman; income variations among racial and ethnic groups; gaps in income protection for older women in retirement; and legislative proposals to reform the Social Security and pensions systems. The Forum brought together an outstanding panel of experts to discuss these issues and make recommendations. We hope that you find this Committee print helpful and we thank the National Eldercare Institute on Older Women and the National Council of Negro Women for all of their help in making this Forum a success.

DAVID PRYOR,
Chairman.

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THURSDAY, SEPTEMBER 23, 1993

U.S. SENATE,
SPECIAL COMMITTEE ON AGING,
Washington, DC.

The forum was convened, pursuant to notice, at 2:46 p.m., in room DG–50, Dirksen Senate Office Building, Ms. Mia Masten, moderator.

WELCOMING STATEMENT OF MIA MASTEN, MODERATOR

Ms. MASTEN. Please find your seats. We would like to get started.

Good afternoon. Welcome to the presentation on income security for older women. We've had an exciting and informative day so far, and this afternoon's forum promises to be no exception.

My name is Mia Masten, and I am a professional staff member here at the Senate Special Committee on Aging. I will be the moderator for this afternoon's forum.

As we all know, the aging of the population presents both challenges and opportunities for everyone. However, since women have a longer life expectancy than men, a closer look at the impact that aging has on women will undoubtedly benefit older Americans as a whole. Women on the average live about 7½ years longer than men and are more likely to live alone, in poor health, and in poverty.

Despite the attention received by a few women who have succeeded in high-paying male-dominated careers, women of all ages continue to earn only about 70 percent of what men earn. Part of the earnings gap for older women may be attributable to discriminatory employment practices based on age and sex. There is often a direct correlation between the quality of a person's life and his or her economic security.

This afternoon's forum on improving income security protection for older women in retirement will cover a wide array of issues, ranging from research on single women; variations among racial and ethnic groups; needed reforms to improve protection of older women in retirement, and legislative proposals to reform the Social Security and pension systems. And finally, we will have a discussant who will synthesize the key issues and identify appropriate roles for the aging network in addressing income security issues.

We have a distinguished panel for you today, and we will begin with Dr. Martha Ozawa.

Martha Ozawa is the Bettie Bofinger Brown Professor of Social Policy at Washington University in St. Louis. Some of her research interests include establishing a national minimum income, and the structure of the finance and the provision of benefits under various income maintenance programs, such as Social Security.

Her earlier research projects that relate to the elderly include case management by the volunteer elderly and the determinants of applications for SSI among low-income elderly.

Dr. Ozawa has been published extensively. She is currently serving on the boards of numerous academic journals. She is also an editor for the 19th edition of the Encyclopedia of Social Work.

Dr. Ozawa will highlight research about variations in financial security among racial and ethnic groups.

Dr. Ozawa.

STATEMENT OF MARTHA N. OZAWA, BETTIE BOFINGER BROWN PROFESSOR OF SOCIAL POLICY, GEORGE WARREN BROWN SCHOOL OF SOCIAL WORK, WASHINGTON UNIVERSITY, ST. LOUIS, MO

Ms. OZAWA. Thank you very much for that wonderful introduction.

Ladies and gentleman, I am so pleased to share with you today a highlight of a technical report that I was commissioned to write for the National Eldercare Institute on Older Women.

As you know, the public and academics have long recognized that the economic condition of the elderly has improved greatly during the past 20 years. As a matter of fact, the percentage of the elderly who are poor has declined so much that the poverty rate of the elderly is now lower than that of the general population, they say. But in spite of such a contention, I must remind you that the income distribution among the elderly is much more unequal than the income distribution among the general public. This means that we still have many, many poor elderly, although we have a few rich elderly. Also, this is true in spite of the fact that the poverty rate among the elderly is declining.

Among the poor elderly minority groups, African-American and Hispanic women are over represented. Therefore, my talk today is about African-American and Hispanic older women. I have prepared a set of tables for you to look at. For your information, because of the nature of the data that I used, I cannot single out African-American elderly women; thus, I have to use the term "black elderly women." Also, I have to remind you that some of the Hispanic women are white and some of the Hispanic women are black; therefore, the racial category and the category of persons of Hispanic origin overlap each other. That's a cautionary note.

First let me talk about current income status of the elderly.

As you can see in Table 1 if you flip it over, the income level of the black and Hispanic elderly women is very much lower than the income level of the white elderly persons. The income of black and Hispanic elderly women ranges from 46 percent to 81 percent of the white elderly women's income, depending on which age bracket you're taking about and depending on which marital status you're talking about.

I also want to note that the average income of black elderly women is not always lower than the average income of Hispanic elderly women. For example, black married women, aged 62 to 64, are considerably better off than Hispanic married women of the same age.

So the next question is, where do these women draw income? Where is the money coming from? Table 2 tells the story. The major difference in the source of income for white women versus black and Hispanic women is that more white women draw their income from private pensions and income from assets than black women and Hispanic women do. In contrast, more black and Hispanic women draw their income from public assistance—that means SSI and general assistance—than white women do.

The next question is, how poor are black and Hispanic women compared with white women? Here, Table 3 is helpful. These tables are very good for you. They are very factual and true because they came from the Government. You can use it all over the country.

So the next question is, how poor are they? Here, Table 3 is helpful. As you can see in Table 3, black and Hispanic women are many, many many times poorer than white women in old age. We should take note of the extremely high poverty rate among unmarried black women; as many as 45 percent of unmarried black women, aged 65 and over, are poor, and this is indeed a high poverty rate. Also, the table gives you ammunition to talk about the elderly who are living below—the so-called "near-poor"—that means 125 percent of poverty.

But anyway, I am given only about 15 minutes to talk, so let me go forward.

The next question that I address is about their work experience; while they were still young, how much they worked, what kind of occupation they had, and so forth. First of all, let me talk about the occupations that those women had in their longest jobs.

Table 4 tells a story. It tells you what kind of jobs they had while they were still young. You will see that many white women had very good jobs in their longest jobs. As many as 45 percent of white women had managerial or professional jobs, but a very small percentage of black and Hispanic women had such wonderful jobs. In contrast, many black and Hispanic women worked in service jobs. In particular, I would say that 54 percent of black women who just retired worked in service jobs, and 25 percent of Hispanic women worked in such jobs, and listen to this: 23 percent of black women did such service jobs in private homes.

Next I will move on to employment rates; that means, how much did they work while they were still young?

Figure 1—this will be helpful—this is the percent of women who worked among those women who retired in 1980 and 1981, so when you look at the early years, that means when they were 35 years old on to just before they retired. Okay.

I want to note that black women worked the most. During their entire adult lives, more black women worked than white or Hispanic women. Their lines are on the top. Just for your information, the top line is for white men; but the top line among the women, that's for black women. Hispanic women worked the least.

The next question is, how much did they earn? How much did they earn? If black women worked so much, did they earn more than others? Unfortunately, the answer is no. Look at Table 5. The black woman's average monthly earnings were considerably lower than the white woman's average monthly earnings. You can see that. And the black woman's average monthly earnings are even lower than those of Hispanic women, even though black women worked more.

Silver linings—are you ready for the silver linings? According to my separate study, using the same data, black women with college education not only worked more than white college-educated women, but they earned more. By how much? Ten percent, but they worked more, too. Another one, they have fewer children. They have only 1.7 children compared to 2.1 children born to college-educated white women. But on average, the lifetime earnings of black women were 21 percent lower than those of white women.

So that's the story, and the story is that black women worked long and hard, but they had the lowest earnings. Because they had low earnings, they receive lower Social Security benefits.

What should the Government and you do? Here is my suggestion.

First, we have to recognize that although Social Security is doing the best job it can do to provide benefits, and the benefit formula is slanted in favor of the lower wage-earners, nonetheless, the Social Security program has a limitation in making sure that the women with extremely low earning records have adequate income. Simply, the Social Security program cannot do it. Therefore, we have to see to it that SSI should be used more effectively.

At present, only about 65 percent—at the most—of the elderly who are eligible for SSI are in fact receiving it. We should get on with vigorous outreach activities and make sure that 100 percent of the eligible older women are brought onto the SSI rolls.

My recent study has shown that the elderly on SSI on average are living above the poverty line. Thus if anything comes out of my talk today, it is that I want to urge you to make sure that all eligible women are encouraged to apply for SSI. I can assure you if elderly women have benefits from Social Security, SSI, and food stamps, they will go over the poverty line. I want you to remember that, because still a high percentage of black women are poor.

Final statement. Through my studies of many years I have concluded that black women are the backbone of our labor force among women. They work the most. Regardless of some of the stereotypes that this society creates based on a small number of people on welfare and so forth, my study shows that regardless of the educational level, black women work the most. By the way, whether they have children or not, they keep working, and I believe that they deserve better.

SSI is for you to take. You deserve it; there is nothing shameful about it, and I want you to encourage all your people out there to come out and get it.

Thank you very much.

[The charts, tables, and figures supplied by Ms. Ozawa follow:]

THE ECONOMIC STATUS OF VULNERABLE OLDER WOMEN

Presented at the First National Conference
of the National Eldercare Institute on Older Women
Washington, DC, September 23-26, 1993

Martha N. Ozawa, Ph.D.
Bettie Bofinger Brown Professor of Social Policy
George Warren Brown School of Social Work
Washington University
St. Louis, MO 63130

Table 1
Median Income by Race, Hispanic Origin, Age, and Marital Status: Percentage Distribution of Aged Units 62 or older, 1988 (in current dollars)

Characteristics of Aged Units	Median Income
	Married couples
Age 62-64	
White	27,130 (100)
Black	22,089 (81)
Hispanic	16,906 (62)
Age 65 and older	
White	21,029 (100)
Black	11,897 (57)
Hispanic	13,141 (62)
	Nonmarried women
Age 62-64	
White	11,564 (100)
Black	5,499 (48)
Hispanic	5,272 (46)
Age 65 and older	
White	8,060 (100)
Black	4,913 (61)
Hispanic	4,991 (62)

Source: Social Security Administration, Income of the Population 55 or Older, 1988 (Washington, DC: Social Security Administration, 1990), Table 15, pp. 41-43.

Note: (1) An "aged unit" is either an unmarried elder or an aged couple, of whom at least one spouse is aged.
(2) Figures in parentheses are percentages of the average for whites.
(3) Persons of Hispanic origin may be of any race.

Table 2
Income Sources by Race, Hispanic Origin, Age, and Marital Status:
Percent of Aged Units 62 or Older with Money Income from Specified Sources, 1988

Unit source of income	White 62-64	White 65 or older	Black 62-64	Black 65 or older	Hispanic 62-64	Hispanic 65 or older
	Married couples					
Percent of units with--						
Earnings	72	35	79	38	74	35
Social Security	57	94	51	91	43	84
Railroad Retirement	1	2	3	2	0	0
Government employee pensions	15	18	19	17	6	9
Private pensions or annuities	31	41	24	32	22	25
Income from assets	79	81	45	39	43	49
Veterans' benefits	6	7	4	6	3	5
Public assistance	3	2	7	10	5	9
	Nonmarried women					
Percent of units with--						
Earnings	46	12	25	10	30	8
Social Security	61	92	69	87	47	69
Railroad Retirement	1	2	2	1	0	0
Government employee pensions	13	12	9	8	6	4
Private pensions or annuities	20	21	10	9	9	11
Income from assets	67	67	22	23	31	27
Veterans' benefits	3	3	2	3	0	1
Public assistance	7	8	20	33	21	35

Source: Social Security Administration, Income of the Population 55 or Older, 1988 (Washington, DC: Social Security Administration, 1990), Table 4, pp. 9-11.

Note: (1) An "aged unit" is either an unmarried elder or an aged couple, of whom at least one spouse is aged.
(2) Persons of Hispanic origin may be of any race.

Table 3
Family Income below the Poverty Line and 125 Percent of the Poverty Line by Race, Hispanic Origin, Age, and Marital Status: Percent of Aged Units 62 or Older, 1988

Family poverty status	White		Black		Hispanic	
	62-64	65 or older	62-64	65 or older	62-64	65 or older
	Married couples					
Percent						
Below poverty line	7	4	10	20	19	15
Below 125% of poverty line	10	8	15	30	25	24
	Nonmarried women					
Percent						
Below poverty line	17	19	47	45	23	34
Below 125% of poverty line	24	31	62	62	32	45

Source: Social Security Administration, Income of the Population 55 or Older, 1988 (Washington, DC: Social Security Administration, 1990), Table 51, p. 104.

Note: (1) An "aged unit" is either an unmarried elder or an aged couple, of whom at least one spouse is aged.
(2) Persons of Hispanic origin may be of any race.

Table 4
Occupation of Female Workers in their Longest Jobs, by Race:
The 1982 New Beneficiary Survey
(in percentage)

Occupation	White	Black	Hispanic
Managerial and professional speciality	19	11	10
Technicians, sales, and administrative support	45	10	23
Service occupations	14	54	25
Precision production, craft, and repair	3	2	5
Operators, fabricators, and laborers	15	19	30
Farming, forestry, and fishing	1	2	2
Armed forces	2	4	5
Total percent*	100	100	100

Source: Calculated by the author from <u>The 1982 New Beneficiary Survey</u>.
*Does not necessarily add up to 100 percent because of rounding.
Note: Persons of Hispanic origin may be of any race.

Figure 1. Women with Earnings, 1951-79

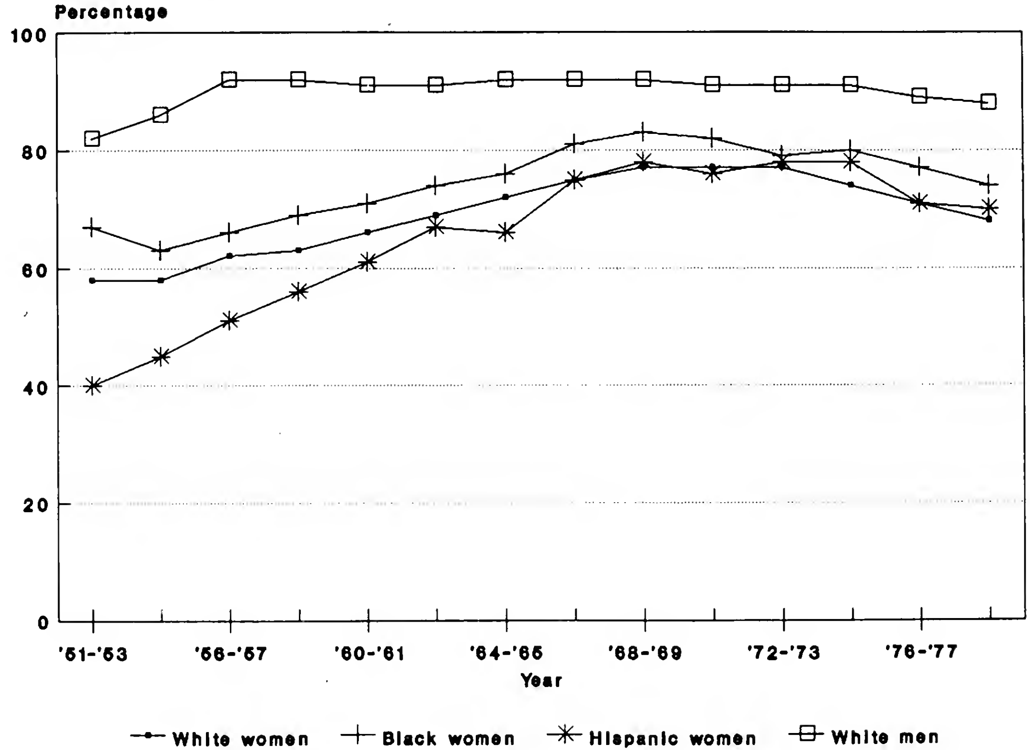

Table 5
Average Monthly Earnings and Social Security Benefits by Sex and Race:
The 1982 New Beneficiary Survey
(in 1990 dollars)

Characteristics	Average monthly earnings*	Social security benefits**
Female		
White	1,040 (47)	485 (62)
Black	792 (35)	414 (53)
Hispanic	890 (40)	440 (56)
Male		
White	2,231 (100)	787 (100)
Black	1,363 (61)	580 (74)
Hispanic	1,785 (80)	681 (87)

Source: Calculated by the author from The 1982 New Beneficiary Survey.
* Average indexed monthly earnings.
**Primary insurance amount.
Note: (1) Figures in parentheses are percentages of the average for white male workers.
(2) Persons of Hispanic origin may be of any race.

Ms. MASTEN. Thank you, Dr. Ozawa.

The next presentation will be by Sara Rix.

Sara Rix is a senior analyst with the Economics Team at the Public Policy Institute of the American Association of Retired Persons. Her primary research interests focus on older worker employment and training issues. Her areas of expertise include social, policy, and comparative research and analysis, especially in the field of aging.

Before coming to AARP in 1990, she was Director of Research for the Women's Research and Education Institute and editor of The American Woman, which is an annual report on the status of women.

Dr. Rix has written and spoken extensively on the aged and aging issues for nearly 20 years. She is the author of numerous publications on aging and on women's issues.

In late 1991, she served as a consultant to the United Nations Expert Group meeting on the integration of aging and elderly women into development, and wrote the background paper, "Older Women in Development: Making a Difference."

She has also been serving as an instructor in the United Nations short-term training course in income security for the elderly in developing countries.

Dr. Rix will present an overview of income security issues of single older women and married women.

Dr. Rix.

STATEMENT OF SARA E. RIX, SENIOR ANALYST, PUBLIC POLICY INSTITUTE, AMERICAN ASSOCIATION OF RETIRED PERSONS, WASHINGTON, DC

Ms. RIX. Thank you. I am delighted to be here this afternoon.

My remarks are a logical extension of those just presented by Dr. Ozawa; however, I am going to narrow the focus somewhat and look specifically at the role that marital status plays in fostering or undermining economic security in old age. Moreover, I am going to restrict myself to two marital statuses: married women who are living with their spouses and never-married women. I want to stress that this latter category, never-married women, is different from the broad category of nonmarried women in Dr. Ozawa's tables. Her nonmarried classification also includes divorced women and widows.

The married and the never-married are two groups that for different reasons are typically presumed to be relatively secure during their retirement years. Today's time constraints preclude looking at divorced and widowed women. However, my ignoring these women this afternoon does not mean that they do not have very serious economic problems in old age. They do, and initiatives to alleviate the plight of older divorced and widowed women are sorely needed, a fact that should not be forgotten just because I am not examining them this afternoon.

At the moment I am particularly interested in two groups of women who have traditionally lacked advocates on their behalf. For example, one hears very few voices agitating for new or reformed policies or programs for the never-married. The question is, should there be some? To be sure, this group is by no means large, as you

can see from the pies on Figure 1. The thin slivers represent the never-married women in the white, black, and Hispanic 62-and-older populations; they are about 5 percent of each.

Although there aren't very many never-married older women, their numbers are increasing, and there are almost as many older never-married women as divorced women. One suspects that the main reason the never-married are seldom portrayed in the literature is that rather reasonable assumption of well-being I mentioned a moment ago. After all, most never-married women have had to earn a living; lengthy attachment to the labor force should entitle them to relatively decent Social Security benefits, private pension coverage, and savings.

This group, one might assume, is a group to which nothing very dramatic or exciting has happened. The never-married haven't suddenly become widows; they haven't gotten divorced; they haven't fallen into poverty as a result of one of these traumatic events. From an economic point of view, one might expect the never-married to be more like married women than their divorced or widowed sisters. We'll see whether or not that is in fact the case.

Our research uses data from the Census Bureau's March 1991 Current Population Survey (CPS). The CPS captures people at one moment in time: it tells us what women are like today, but it doesn't give us very much information on how they might have gotten where they are. Roughly half of all women aged 62 or older are either currently married and living with their spouses, or have never married. All told, we are talking about some 10 million women, so it's not a small segment of the population by any means.

Whether one likes to admit it or not, it pays to be married in old age, at least when it comes to financial well-being. This has long been known as far as widows, the divorced, and married women are concerned, but it is also true when married and never-married women are compared to one another. Older single women are about four times as likely as their married counterparts to be living in poverty, just over 20 percent versus 5 percent. This gap exists despite the fact that today's older never-married woman has typically had a long, stable attachment to the workforce.

Although good work history data are not available in the Current Population Survey, there are other sources of such information, including the Social Security Administration's New Beneficiary Study, which my colleague, Dr. Regina O'Grady-LeShane, has analyzed. Never-married women in the Social Security Administration's New Beneficiary Survey report very lengthy work histories. Over four-fifths of them had worked for pay for 25 or more years before collecting Social Security benefits.

The gross poverty rates that I mentioned a moment ago obscure some very substantial differences by marital status, race, and Hispanic origin. Regardless of race, never-married are far worse off than married, at least when poverty is the measure. The never-married are from two and a half to five times as likely to be poor as the married, and this marital status gap is actually greatest among whites, as the first two bars in Figure 2 will show. Nonetheless, when it comes to absolute poverty rates, poverty is by far a

greater problem among black and Hispanic older women, regardless of marital status. This holds for women aged 62 and older, as well as for women aged 65 and over as shown in Figure 3.

One cannot help but be struck by the extremely high rates of poverty among never-married black and Hispanic women. Well over 40 percent of both black and Hispanic never-married women 62 and over and closer to 50 percent in the case of minorities aged 65 and over, have incomes below the poverty level.

In sum, being married is, on the whole, more financially advantageous than remaining single, although being married is by no means a guarantee that one will not be poor, especially if one is black or Hispanic.

Obviously, women are poor because they don't have much money; a study isn't needed to tell us that, but just where isn't their money coming from? How many different sources of income do they have?

If we look at six nonwelfare sources of income received by elderly persons—Social Security, other pensions, interest, dividends, rent, and earnings—we find that on the whole women have relatively few sources of income. (Figure 4.)

Older women have, on average, income from fewer than three of these sources. Married women have more sources of income, as one would expect, and white women have more than black or Hispanic women. But on average, the number is not great, regardless of marital status.

As would be expected, Social Security is the dominant source of income within these two groups, especially among women 65 and over, but also among women 62 and above. Regardless of marital status, race, or Hispanic origin, the majority of older women are collecting Social Security benefits. Even so, this benefit is not yet going to some 30 to 40 percent of older never-married minority women.

The ideal retirement-income package is often portrayed as a three-legged stool: Social Security, private pensions, and investment and savings income. And many retirees do indeed sit on a stool that sturdy. Private pensions, however, are still relatively uncommon among older women. This comes as no surprise as far as the married are concerned, given the intermittent work histories of so many older married women today. Nonetheless, private pensions are still relatively uncommon among many older nonmarried women, and this is particularly disturbing in view of the fact that so many of them have worked for so long. On average, about 18 percent of married women and about 39 percent of never-married women have pension income aside from Social Security.

Race makes relatively little difference to pension receipt among married women, although Hispanics are less likely than married black or white women to have pension income. Race does, however, make a *huge* difference in the case of never-married women; never-married white women are about three times as likely as their black counterparts to report pension income in old age, a reflection not of attachment to the labor force, but of differential work opportunities and barriers facing different women during their working years.

Very troubling, although not unexpected in view of the high poverty rates among older women, is the high proportion of women

who are dependent on Supplemental Security Income (SSI) in old age. SSI income does not go to all eligible older women. About 11 percent of all older never-married women rely on SSI, and the figure is far higher among black and Hispanic never-married women than among white women.

Regardless of marital status, race, or Hispanic origin, relatively few women work for pay beyond age 62, and even fewer do after the age of 65. Not surprisingly, the labor force participation rate is higher for black women than it is for white women and for the never-married than for the married.

While women continue to work in old age for a variety of reasons, the Current Population Survey is not a particularly good source of data on why they do. Financial need, job satisfaction, and opportunity for socialization are among the reasons.

The Current Population Survey, however, does provide a better indication of why people might not *now* be working, and the reasons vary dramatically by marital status among older women. Asked why they hadn't worked at all during the previous year, older married women were almost four times as likely as the never-married to say that they were taking care of home or family. Retirement, not surprisingly, was the main reason for the never-married.

While family responsibilities understandably appear greater among married women, it is nonetheless significant that over 1 in 10 older never-married women reported not working because of home or family responsibilities. This was the case for nearly one in five older black nonmarried women and over one in four nonmarried Hispanics. Just how many of these women were actually engaged in caring for relatives or others cannot be ascertained from the Current Population Survey, but it seems reasonable to conclude that home and family responsibilities mean care-giving for many of these never-married older women. This possibility should be kept in mind as debates about who may benefit from care-giving credits or private sector work and family initiatives proceed.

A study conducted some two decades ago on services to the elderly in a major midwestern city found that among the worst-served elderly were the less affluent aged in the more affluent neighborhoods. Apparently, city fathers assumed that such neighborhoods were, by definition, not in need, and on the whole that was probably the case. But such decisions did, however, leave those who were in need in the affluent neighborhoods out in the cold. A parallel could be drawn between that study and the data I've just reported. Simply because women ought to be reasonably well off, either through marriage or a lifetime of paid labor or maybe both, does not mean that they are. Economic vulnerability characterizes a substantial portion of never-married women, particularly minority women. And while married women who are living with their spouses are far better off on average than their never-married counterparts, marriage alone does not keep every older woman out of poverty. Again, race and Hispanic origin have a measurable impact on well-being.

We need to keep in mind the fact that group averages may mask considerable heterogeneity within groups. This is certainly the case among the never-married, and it is also true among the married.

To ensure that policy and programmatic changes designed to enhance the status of women and men in old age actually achieve that end, the diversity of the older population must be better studied and understood, and that understanding must be used to inform the debate on policy and programmatic changes.

Thank you. [Applause.]

[The prepared statement of Ms. Rix follows:]

Economic Well-Being in Old Age:
The Case of Never-Married and Married Women*

Sara E. Rix, Ph.D.**

Introduction

My remarks this afternoon focus on the role that marital status plays in fostering or undermining economic well-being in old age. Moreover, I will restrict myself to two statuses--the (1) never-married and (2) married who are living with their spouses--two groups of women who, for different reasons, are typically presumed to be relatively secure during their retirement years.

Today's time constraints preclude an examination of every marital status, and perhaps one can be excused for ignoring the widowed and divorced. There exists a rather extensive literature on widows, large numbers of whom are indeed propelled into poverty upon the death of their husbands. More research is also beginning to appear on older divorced women, many of whom are eligible for but 50 percent of their ex-husband's Social Security benefit. As a result, they often find themselves in an exceptionally precarious financial situation in old age. Initiatives to alleviate the plight of divorced and widowed older women are sorely needed, a fact that should not be forgotten simply because they are not the subject of my presentation today.

At the moment I am interested in women who have traditionally lacked advocates on their behalf. One hears, for example, very few voices agitating for new or reformed programs or policy changes for the never-married. But are they needed?

To be sure, the never-married older female population is by no means large; however, there are almost as many never-married as divorced older women, and their numbers are increasing. One suspects that the main reason that the never-married are seldom portrayed in the scholarly literature involves that rather understandable assumption of well-being. After all, most never-married women have to earn a living; lengthy attachment to the labor force should entitle them to fairly decent Social Security benefits, pension coverage, and savings opportunities. They would

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*Some of observations in this paper, most notably those dealing with work history and labor force participation, were first made by Sara E. Rix and Regina O'Grady-LeShane at the 45th Annual Scientific Meeting of the Gerontological Society, Washington, DC, November 1992.

**The views expressed in this presentation are those of the author and do not necessarily represent the views of any organization with which she is associated.

also appear to comprise a group to which nothing really dramatic or interesting happens. From an economic point of view, one might expect them to be more similar to married women than to their divorced or widowed sisters.

Like Dr. Ozawa, I am going to sketch a picture of the economic status of older women, in this case married and never-married women aged 62 or older, by highlighting income-related statistics. The source of these statistics was the Census Bureau's March 1991 Current Population Survey (CPS). The CPS captures people at one moment in time, and, while it may tell us a great deal about where people are now, it is unfortunately more limited in enlightening us as to how they might have gotten where they are. Nevertheless, the data in the CPS warn--or should warn--us about the dangers of being too quick to make conclusions about who is or is not well-off in old age.

Marital Status in Old Age***

Overall, roughly half of all women aged 62 or older are either currently married or have never married. However, as evident in Figure 1, differences by race and Hispanic origin are apparent. All told, about 10 million older women fall into these two groups. (Figure 1)

Economic Status

1. Whether one likes to admit it or not, it pays to be married in old age, at least when it comes to financial well-being. This has long been known as far as married, widowed, and divorced women are concerned, but it is also true when the married and never-married are compared.

   Older single women are about four times as likely as their married counterparts to be living in poverty--just over 20 percent vs. just under five percent.

***Unless otherwise specified, all data refer to women aged 62 and older, and to non-Hispanic whites, non-Hispanic blacks, and Hispanics.

This gap exists despite the fact that today's older never-married woman has typically had a long stable attachment to the workforce. Although work history data are not available in the Current Population Survey, one can turn to other sources for such information. According to the Social Security Administration's New Beneficiary Survey (NBS), analyzed by my colleague Regina O'Grady-LeShane of Boston College, many older married women do, indeed, report rather lengthy work histories (over one-third in the NBS had worked at least 25 years). Nonetheless, their attachment to the labor force cannot compare to that of the never-married, over four-fifths of whom had worked for pay for 25 or more years.

2. The gross poverty rates reported above obscure some very substantial differences by marital status, race, and Hispanic origin, as the next figures only too graphically display. (Figures 2 and 3)

   Regardless of race, the never-married are far worse off than the married, at least when poverty is the measure: the never-married are from 2.5 to 5 times as likely to be poor. This "marital status gap" is actually greatest among non-Hispanic whites.

3. However, absolute poverty rates are by far the highest among minorities, regardless of marital status. Even so, one cannot help but be struck by the extremely high poverty rates among never-married minorities: well over 40 percent of never-married black and Hispanic women aged 62+ (and closer to 50 percent in the case of never-married blacks 65 and older) have incomes below the poverty level.

4. In sum, being married is on the whole more financially advantageous than remaining single, although it is no absolute guarantee that one won't be poor, especially if one is black or Hispanic.

5. Obviously, people are poor because they don't have money; a study isn't needed to tell us that. But just what are the income sources of older women?

Looking at six non-welfare sources of income--Social Security, other pensions, earnings, interest, dividends, and rent--one finds that most women have relatively few sources of income (typically less than three) but that the number is greatest among whites and among married women, regardless of race or Hispanic origin. (Figure 4)

6. As would be expected, Social Security is the dominant source of income, especially among women 65 and older. Regardless of martial status, race, or Hispanic origin, a majority of older women (62+ and 65+) collect Social Security benefits. Even so, this benefit is <u>not</u> yet going to some 30-40 percent of older never-married minorities aged 62 or older. (Figure 5)

7. The ideal retirement-income package is often portrayed as a three-legged stool--Social Security, other pension income, and income from savings and investments--and many retirees do sit on a stool that sturdy. Private pensions, however, are still relatively uncommon among older women. This comes as no surprise in the case of married women, given their intermittent work histories. Married women are about half as likely as the never-married to collect pension income other than Social Security (18 percent vs. 39 percent). Still, the proportion of never-married women with pension income is disturbingly low. (Figure 6)

8. Race makes relatively little difference to pension receipt among married women (although Hispanic origin does). However, it makes a <u>huge</u> difference among the never-married: never-married white women are about three times as likely as their black counterparts to report pension income in old age--a reflection not of attachment to the labor force, but of differential work opportunities and barriers facing these women during their working years.

9. Very troubling--though again not unexpected in view of their high poverty rates--is the high proportion of never-married women (almost 11 percent) who are forced to rely on Supplemental Security Income (SSI). (Given the poverty rates above, this SSI figure is actually quite low.) Among the groups in our analyses today, SSI is by far a benefit for the never-married, especially those who are black or Hispanic.

10. Regardless of marital status, relatively few women work for pay beyond the age of 62, and even fewer do so after the age of 65. Never-married women (both 62+ and 65+) have higher labor force participation rates than their married peers, and rates are highest among the non-Hispanic blacks. For those women who do work, earnings have a big (and positive) impact on overall financial well-being.

11. Women continue to work into their 60s and beyond for a variety of reasons--financial need, job satisfaction, opportunity for socialization, effort to gain eligibility for Social Security and/or pension benefits--and the reasons may differ by marital status and race. Unfortunately, the Current Population Survey is not a particularly good source for identifying those differences.

    Somewhat more information is available in the CPS on why people are not <u>now</u> working, and reasons vary greatly by marital status among older women. Asked why they had not worked at all during the previous year, married women were almost four times as likely as the never-married to note that they were taking care of home or family. The large majority of the never-married called themselves "retired."

12. Married women quite understandably are more burdened by family responsibilities than are single women. Nonetheless, it is noteworthy that over one in ten older never-married women reported not working because of home or family responsibilities. This was so for nearly one in five older black women and over one in four Hispanic women. The CPS does not allow us to distinguish caregiving from other family responsibilities, but it may well be that "home or family responsibilities" included caregiving for many of the never-married as well as the married. This possibility should be kept in mind as debates about who may benefit from caregiving credits or private-sector work/family initiatives proceed.

Conclusion

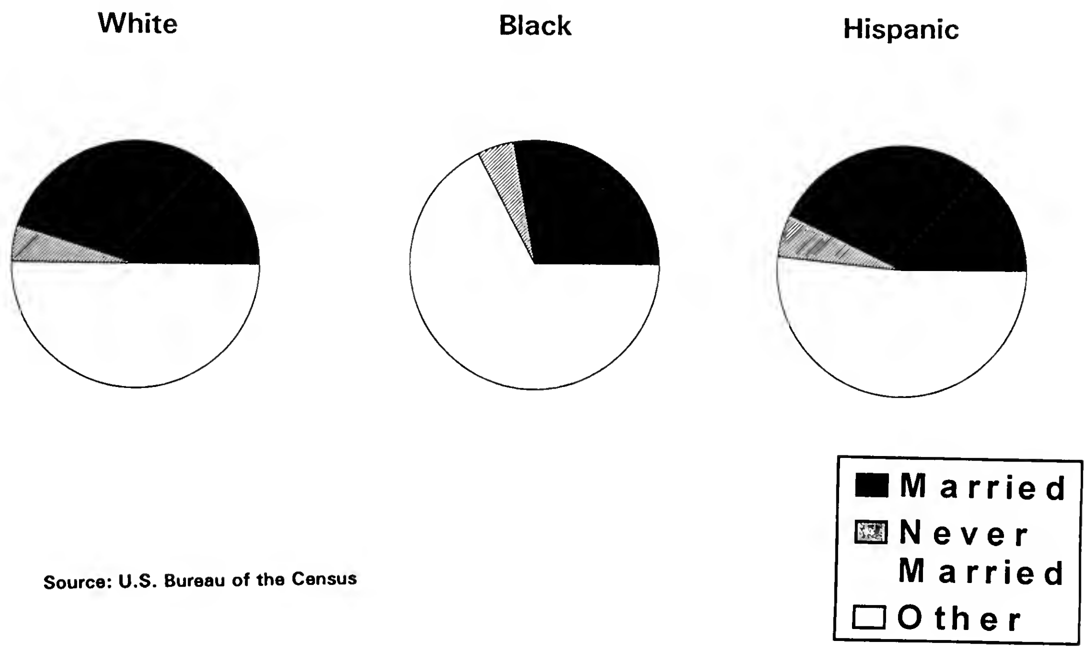
A 1970s study of services to the elderly in a midwestern city found that among the worst served were the less affluent elderly in affluent neighborhoods. Apparently, city fathers assumed that such neighborhoods were, by definition, not in need, and--on the whole--that was undoubtedly the case. Such decisions did, however, leave those who could have benefitted from social services "out in the cold."

A parallel could be drawn between that study and the data reported this afternoon. Just because women ought to be reasonably well off--either through marriage or a lifetime of labor or maybe both--does not mean that they are. Economic vulnerability characterizes a substantial portion of never-married women, especially minority women. And while married women who are living with their spouses are far better off, on average, than their never-married counterparts, marriage alone doesn't keep every older woman out of poverty. Again, race and Hispanic origin have a measurable impact on well-being.

It is critical to keep in mind the fact that group averages may mask considerable heterogeneity <u>within</u> groups. This is certainly the case among the never-married, and it is also true among the married. To ensure that policy and programmatic changes designed to enhance the status of women (and men) in old age achieve that end, the diversity of the older population must be better studied and understood, and the resultant understanding must be used to inform the debate on policy and programmatic changes.

Figure 1

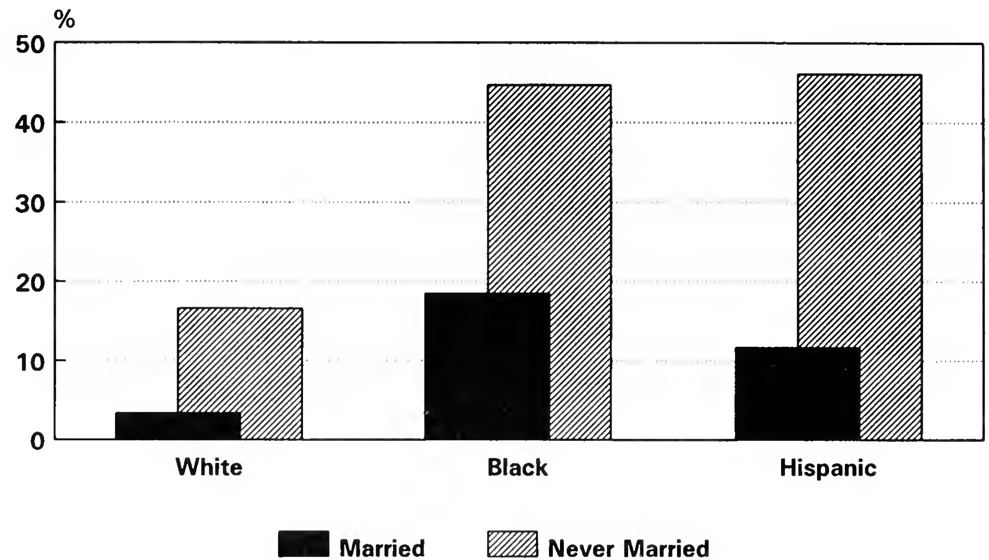
Marital Status of Women 62+



Source: U.S. Bureau of the Census

Figure 2

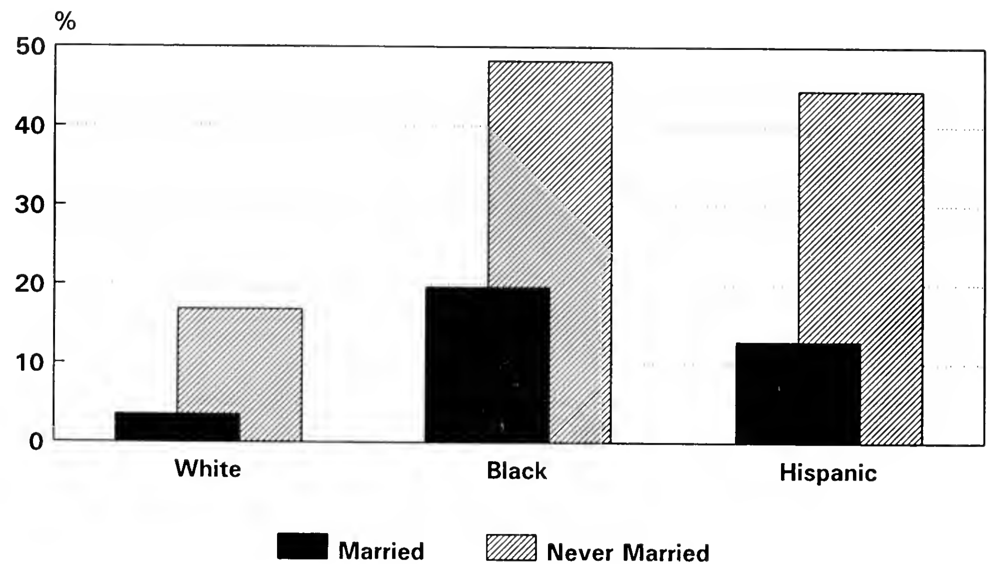
Poverty Rates by Marital Status, Race, and Hispanic Origin, Women 62+



Source: U.S. Bureau of the Census

Figure 3

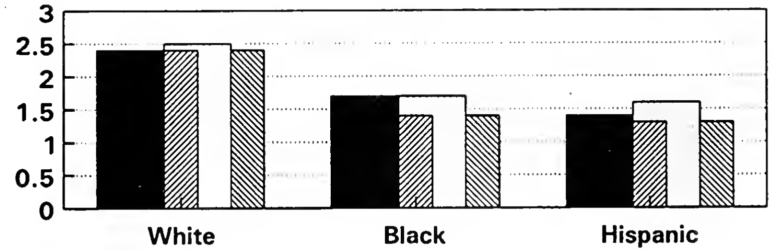
Poverty Rates by Marital Status, Race, and Hispanic Origin, Women 65+



Source: U.S. Bureau of the Census

Figure 4

Average Number of Income Sources,* Women 62+ and 65+



	White	Black	Hispanic
Married 62+	2.4	1.7	1.4
Never Married 62+	2.4	1.4	1.3
Married 65+	2.5	1.7	1.6
Never Married 65+	2.4	1.4	1.3

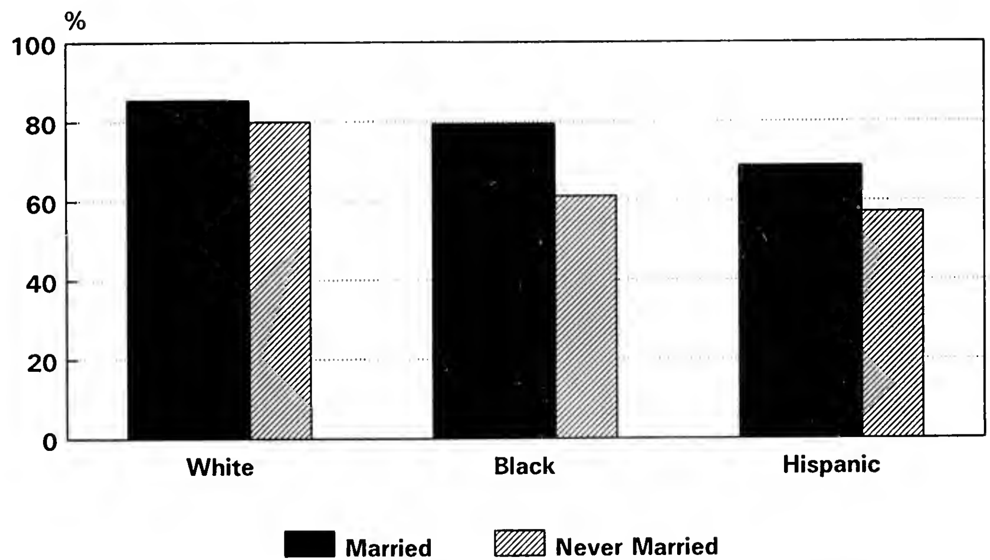
Married 62+ Never Married 62+
Married 65+ Never Married 65+

* Social Security, other pensions, earnings, interest, dividends, and rent

Source: U.S. Bureau of the Census

Figure 5

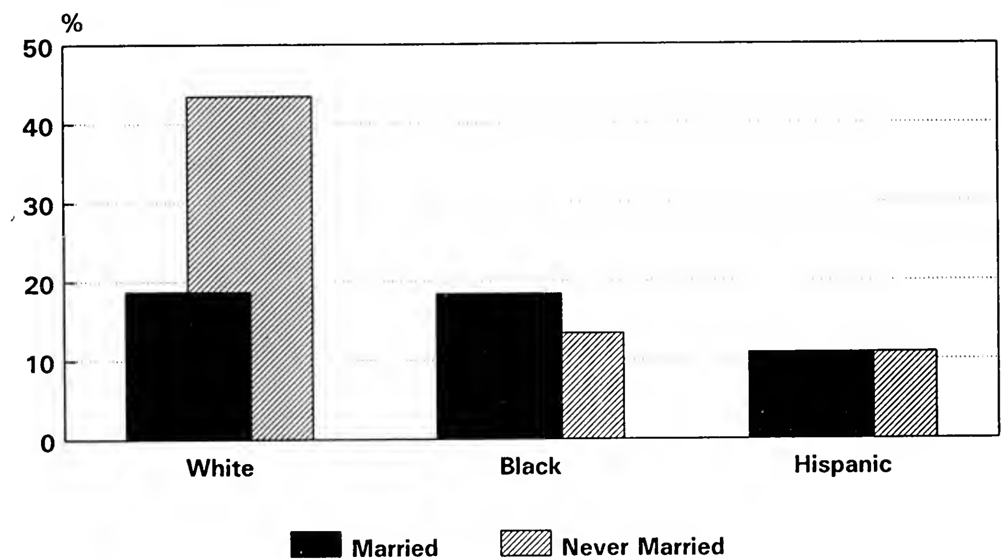
Receipt of Social Security Income by Women 62+



Source: U.S. Bureau of the Census

Figure 6

Receipt of Pension Income by Women 62+



Source: U.S. Bureau of the Census

Ms. MASTEN. Lori Simon-Rusinowitz is the Associate Director of the National Eldercare Institute on Employment and Volunteerism, where she has been addressing public policies affecting older workers. She has developed materials informing the Aging Network about policies influencing retirement income for older women and protections for older workers under the Americans With Disabilities Act.

Before coming to the University of Maryland in 1992, Dr. Simon-Rusinowitz was a Senior Research Associate at the National Health Policy Forum, which is located at George Washington University. In that capacity she developed educational programs about aging policy issues for Congressional staffers and administrators from various Federal agencies. She wrote issue briefs discussing policy issues addressed by each program, including topics such as community care-giving programs, personal assistance services, and Medicaid spend-down and asset transfers.

Dr. Simon-Rusinowitz recently co-authored a book titled "Wages for Caring," which addresses payments to family care-givers. Her research interests include long-term care policy, family care-giving, and aging and disabilities.

Today, Dr. Simon-Rusinowitz will address needed reforms to improve protection of older women in retirement.

Dr. Simon-Rusinowitz.

STATEMENT OF LORI SIMON-RUSINOWITZ, UNIVERSITY OF MARYLAND CENTER ON AGING, NATIONAL ELDERCARE INSTITUTE ON EMPLOYMENT AND VOLUNTEERISM, COLLEGE PARK, MD

Dr. SIMON-RUSINOWITZ. I am very pleased to be a part of this conference today and have an opportunity to discuss some of the work that's being done at the National Eldercare Institute on Employment and Volunteerism.

First I would like to explain how our institute began addressing income security for older women. This direction evolved from a focus on public policies influencing older workers' decisions about retirement. Policies governing income security influence retirement decisions because they help determine whether people can afford to retire—whether it's even an option for them.

When learning about these issues, it became clear that although the topic of income security is critical for everyone, it is even more important for older women. As we've just heard, the majority of impoverished older people are women. Why is the financial picture so bleak for many of our mothers and grandmothers?

Retirement income security is commonly described as the three-legged stool that Dr. Rix just mentioned—composed of Social Security, pensions, and private savings. The stool is wobbly for many women, and especially, as we've heard, for minority women because their Social Security benefits and private savings are often smaller than those of their male counterparts. In addition, many fewer women have held jobs offering pensions, as Dr. Rix explained.

I am going to talk about the first two legs of the three-legged stool today, Social Security and pensions. There are two resource briefs on the topics of Social Security and pensions that will be available for our institute shortly. You should have a packet from

the National Eldercare Institute on Employment and Volunteerism; in there you will find an order form so that you can order these two items if you would like.* These papers draw heavily on the work of others on this panel. Their work has been most helpful to me in learning about these important issues.

Now I am going to briefly discuss background information about Social Security and private pensions and describe key areas for reforms to improve retirement income for older women.

How does the Social Security program support today's older women? Social Security benefits keep many elders above poverty, yet critics argue that the Social Security System is unfair to non-traditional women because it is based on assumptions about the traditional family of 1935, the year the program was developed. As we all know, family life has changed significantly since that time; however, the program was based on a typical family of that era in which marriage lasted a lifetime, men worked in the paid labor force, and women worked at home.

Today, women are more likely to be single—never married or divorced—and more likely to work outside the home, as well as care for their families. Work and marital status are key factors in determining Social Security benefits because women become eligible either by earning a benefit based on their own work record, or by being married to a qualified worker. Women often earn less than men, so they contribute less to the Social Security System; often have more sporadic work records due to care-giving responsibilities; and receive smaller benefits based on their work records.

The method of calculating benefits, which penalizes workers for taking more than 5 years out of the paid workforce, often lowers women's benefits. These benefits are calculated by assuming 40 years of earnings, dropping the 5 lowest-earning or no-earning years, and using 35 years to compute the worker's benefit amount. If a woman spends more than 5 years out of the workforce, those nonearning years are counted as zeros when averaging her lifetime earnings, thus lowering the benefit amount she can receive on her own work record.

This calculation method can work against women as they spend more time out of the paid labor force than men. Women aged 21–64 spend 11.5 percent of their potential 40-year career (a little over 4½ years) out of the paid labor force, while women aged 45–64 years of age spend almost 20 percent of their potential work lives (about 8 years) in unpaid activities. Men in the same age categories spend only about 1 percent of their potential 40 work years (about 5 months) without paid work, according to a 1987 U.S. Census Bureau report. This difference often translates into lower monthly benefits for many women.

Several additional system problems adversely affect women, and one prominent issue is that women who work outside the home often receive a lower retirement or widow's benefit than full-time homeworkers. I'm going to read you a scenario about the Cleaver and the Bunker families to illustrate these points.

The Cleavers, a one-earner family, and the Bunkers, a two-earner family, have the same family income. Mrs. Cleaver has been a

* Included in prepared statement following oral testimony.

lifelong full-time homemaker, while Mrs. Bunker combined homemaking and paid work. Upon retirement, the Cleavers will receive higher Social Security benefits. Mrs. Bunker's Social Security earnings may be no greater than had she remained a full-time homemaker. And should they become widows, Mrs. Cleaver will receive higher benefits than Mrs. Bunker.

If you will look at the table on Social Security earnings,* will illustrate the disparity between one- and two-earner families. The 1992 monthly benefit for the Cleavers, a one-earner family earning $24,000 a year, would be about $1,400 per month, while the Bunkers, a two-earner family with the same total income, would receive $255 less per month. As you can see further on down the table, the same discrepancy exists for widow's benefits. Mrs. Bunker would receive $245 less per month than Mrs. Cleaver, should they become widows. Laurel Beedon will discuss reform proposals to address these problems and others.

Private pensions are the second component of retirement income, but many women have little access to pension income, as Sara Rix explained. First, a few definitions to understand the two main types of private pension plans.

The first type, the traditional plan, is a defined benefit plan that guarantees workers a specific benefit amount based on their years of service and salary. This traditional type of plan is increasingly being replaced by the defined contribution plan, which does not guarantee a specific benefit amount. The benefit is based on the amount that employers and employees contribute and the interest earned on that amount.

During the past decade, many employers have switched to tax-sheltered savings plans, a type of defined contribution plan called 401(k) plans. If you will look in your packet, there is an article by David Vise that will give you more details about the shift that is going on toward more 401(k) plans.*

Defined contribution plans, including 401(k) plans, can cost employers less because they often pay into the plan only after an employee contributes, and many employees can't afford to do that. Moderate- and low-income workers, the majority of whom are women, are less likely to benefit from these plans. In some cases they receive no benefits if they can't contribute first.

How do women's work patterns affect their pension benefits? Three more scenarios that will illustrate key points.

In the first one, Mrs. Bunker worked for many years in low-wage jobs and never received a pension—this is not a surprise because we've been hearing about that situation from both of our previous speakers. At age 71 she continues to work because she can't afford to retire.

Private pension plans are gender-neutral by definition; however, they can discriminate against women because plans favor employees following typical male work patterns: long, continuous years of service in high-paid jobs. Fewer women than men participate in pension plans on their own work records, and those women with benefits benefits generally receive smaller amounts than men.

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* Included in prepared statement following oral testimony.

The next table in your packet illustrates this point. In 1987, 32 percent of older men received a private pension, and the average benefit was about $5,700 per year. Only about 13.6 percent of older women received pension income in the same year, and the average benefit amount was about $3,300 per month [sic]. As we've heard, African-American men and women are less likely to receive private pension income than white men and women.

Even women with jobs covered by a pension plan may have difficulty becoming vested—or qualifying for benefits—because they changed jobs often or left the labor force for family care-giving responsibilities. Half of all female employees have been in their current positions for 3.8 years, making the 5-year qualifying rule a stumbling block for them. The result of these problems and others is that many older women have limited or no pension income and cannot afford to retire.

The second scenario is about Mrs. Cleaver, again, who was ready to retire until she learned that her pension was reduced by half due to a benefit calculation formula called "integration." Now she must continue working. In addition to limiting access to pensions, women's work patterns can decrease their benefit amount if they are in a pension plan. The formulas used in calculating benefits favor typical male work patterns. Pension integration reduces pension benefits by a percentage of a worker's Social Security benefits and can make a significant difference in benefit levels. Lower wage earners, many of whom are women, tend to be most affected by integration rules.

These rules were changed recently so that, as of 1989, integration cannot reduce pension benefits by more than one-half. However, for benefits earned prior to 1989, it is possible that integration can completely eliminate a pension. For example, Mrs. Cleaver worked for 40 years prior to 1989, and planned to retire in 1991. She earned a $300 monthly benefit in Social Security. Because her pension plan is fully integrated, her benefits based on earnings before 1989 will be eliminated, and those after 1989 will be cut in half. So you can see that this is a serious cut in expected income.

Finally, the last scenario, about divorce and pension income. Mrs. Reed, a divorcee, learned that her rights to her husband's pension were not properly addressed during her divorce, and now she's without pension benefits. Pension laws are complicated, and in divorce, women and their attorneys need to be well-versed in both Federal and State pension laws. Federal law does not require pension-sharing upon divorce. Many divorced spouses lose out on their pension benefits if the divorce isn't properly handled. Cindy Hounsell will discuss reform efforts to improve women's pension income.

I would like to conclude with a few suggestions about the Aging Network's role in improving income security for older women. The network can play a key role in educating the public—especially middle-aged and older women—about the importance of being knowledgeable about Social Security and pensions and beginning retirement planning early in their careers. That's why I want to emphasize that the educational programs need to be for older women and middle-aged women.

Currently, the Administration on Aging is funding some pension education programs. These types of efforts are important at a time when Americans are learning that they must rely less on Government for financial support, and middle-aged and older women must learn how to become financially secure in retirement.

The Aging Network could establish a network-wide income security awareness campaign, carried out at Federal, State, and local levels, with other organizations that are working in this area. Suggestions for educational activities are outlined in the resource briefs that will be available from our institute.

The campaign would consist of activities to inform middle-aged and older women about the importance of taking several very practical steps. Middle-aged and older women involved with this campaign would learn about the level of Social Security and pension benefits that they can expect. They would also learn how to obtain these benefits and to pay close attention to their pension benefits during divorce procedures. In addition these women would learn to check their Social Security and pension records regularly for accuracy and begin retirement planning early.

Campaign participants would also learn to incorporate information about Social Security and pension plans into their career, caregiving, and savings decisions. In addition, they would become knowledgeable about pension vesting periods and other eligibility rules. If they were in a pension plan that offers benefits only after employees contribute first, they would know to contribute—even if only a small amount—so that they could receive some pension benefit.

Finally, campaign participants would understand Social Security and pension issues needing reform to better support older women, and advocate for those reforms that they support. If many more middle-aged and older women were informed about these critical issues, we could begin moving toward improved income security for the next generation of older women.

Thank you. [Applause.]

[The prepared charts of Ms. Simon-Rusinowitz follows:]

TABLE 1
Average Annual Lifetime Earnings and 1992 Monthly Social Security Retirement Benefits[a]

	Cleavers	Bunkers	Keatons	Seavers
Earnings				
Husband	$24,000	$16,000	$12,000	$24,000
Wife	0	8,000	12,000	8,000
Family Total	$24,000	$24,000	$24,000	$32,000
Benefits				
Husband	$957 (WB)[b]	$712 WB	$591 WB	$957 WB
Wife	478 SB[b]	468 WB	591 WB	478 WB
Family Total	$1,435	$1,180	$1,182	$1,435
Survivor Benefits				
Amount	$957	$712	$591[c]	$957
As Percent of Couples Benefit	67%	60%	50%	67%

Footnotes:
[a] For workers retiring at age 65 in 1992.
[b] WB = Workers Benefit. SB = Spousal benefit.
[c] Spouse continues to collect on her own benefit. Survivor benefit does not apply.

Source: U.S. Congress House Select Committee on Aging. Subcommittee on Retirement Income and Employment (1992). How well do women fare under the nation's retirement policies? A report by the chairman and ranking Republican. Washington, D.C.: U.S. Government Printing office, Comm. Pub. No. 102-879.

TABLE 1
Average Pension Income for Persons Over 65 in 1987

	All Races		White		African American		Hispanic	
	Men	Women	Men	Women	Men	Women	Men	Women
Pension Income (Public and Private)								
Percent Receiving	46.0%	23.5%	47.9%	24.6%	23.0%	13.8%	27.7%	*
Average Annual Pension Income	$7,907	$4,723	$8,045	$4,726	$5,428	$4,828	$6,483	*
Private Pension Income Only								
Percent Receiving	32.0%	13.6%	33.2%	14.4%	22.5%	6.0%	*	*
Average Annual Pension Income	$5,727	$3,352	$5,809	$3,333	$4,435	$3,695	*	*

*Too small a sample to draw a figure.

SOURCE: Unpublished Census Bureau data, March 1988, Current Population Survey.

Source: In U.S. Congress House Select Committee on Aging. Subcommittee on Retirement Income and Employment (1992). How well do women fare under the nation's retirement policies? A report by the chairman and ranking Republican. Washington, D.C.: U.S. Government Printing office, Comm. Pub. No. 102-879.

Older Americans Act
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National Eldercare Institute on Employment and Volunteerism

University of Maryland Center on Aging

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Developing Volunteer Job Descriptions. Resource brief which establishes a framework for developing volunteer job descriptions. This can form an important part of the evaluation process for volunteers.	___	$2.00	___
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Income Security and Retirement Decisions: Informing Women about Social Security. Resource brief informing the Aging Network about the role of Social Security in retirement income for older women, possible program reforms to improve income security for this population, and suggestions for a public education campaign about this important issue. Resource list is included.	___	$3.00	___
Income Security and Retirement Decisions: Informing Older Women about Private Pension Programs. Resource brief informing the Aging Network about the role of private pensions in retirement income for older women, pension program reforms to improve income security, and suggestions for a public education campaign about this important issue. Resource list is included.	___	$3.00	___
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Tapping the Volunteer Resources of the National Voluntary Organizations. Resource brief which provides a directory of the National Voluntary Organizations associated with NCOA. Each organization is profiled regarding its volunteer programs with frail elderly in order to provide best practice models.	____	$3.00	____
Volunteers and Liability Issues. Brief lists a variety of resources available to assist volunteer organizations, including how to assess their need for liability insurance and where to contact state offices on volunteerism.	____	$2.00	____
Young Volunteers Serving America's Aging. Directory of programs showing intergenerational volunteerism models from NCOA's Family Friends program.	____	$7.00	____

One complementary copy of products, except training manual and video, will be sent to State Offices on Aging, Area Agencies on Aging, Project CARE grantees, and Administration on Aging Regional Offices. Prepayment is required for all other orders. Postage and handling are included for U.S. orders. Add 10% for postage on foreign orders. No refunds. Please allow 3-4 weeks for delivery. Make check or money order payable to University of Maryland and send to: Center on Aging, University of Maryland, College Park, MD 20742-2611. FEID No. 52-6002033.

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UNIVERSITY OF MARYLAND AT COLLEGE PARK

CENTER ON AGING

Founded in 1974, the **University of Maryland Center on Aging** is an all-university, interdisciplinary institution designed to foster basic, applied and policy research, education and public service in the areas of health promotion, disease prevention and human aging. Philosophically, the Center is dedicated to "healthy and productive" aging. The Center utilizes a multidisciplinary team approach to improve the quality of life and health status of America's elderly population.

The metropolitan Washington, DC area offers a rich environment for research and teaching in geriatrics and gerontology. It is home to the National Institute on Aging of the National Institutes of Health, the U.S. Administration on Aging, the Health Care Financing Administration, the Social Security Administration, the U.S. Department of Labor, the U.S. Public Health Service, the U.S. Department of Health and Human Services, the Library of Congress, and other Washington-based public interest groups and professional associations actively concerned about the aging. Major research and policy institutions, libraries, and think tanks are located in the area and the Center on Aging at the University of Maryland draws extensively on those resources and opportunities. The proximity of these resources allows the Center to bring a national perspective to research and evaluation work done with state and local governments across the country.

CURRENT RESEARCH

The **National Eldercare Institute on Employment and Volunteerism** is part of the National Eldercare Campaign which has been initiated by the Administration on Aging of the U.S. Department of Health and Human Services. This Campaign is a nationwide, multi-year effort to mobilize resources for home and community-based care for older persons at risk of losing their self-sufficiency. The mission of the Institute is two-fold: 1) to increase public awareness of volunteer and employment issues and opportunities in the care of the elderly; and 2) to increase the potential for the development of new or expanded approaches in volunteerism and employment in both the public and private sectors.

The Robert Wood Johnson Foundation Program To Promote Long-Term Care Insurance For the Elderly is a national initiative to help states develop a new financing system for long-term care using public/private partnerships. The Center's Division of Economics of Health and Aging serves as the National Program Office for the initiative. With Foundation funding, partnership models combining state Medicaid programs with private long-term care insurance have been planned in four states (CA, CT, IN, NY). The Connecticut Partnership For Long-Term Care is the first to begin operations and is currently being offered to residents of the state. Individuals purchasing certified long-term care insurance will have their assets protected up to the amount of the insurance benefits if they require Medicaid benefits. The National Program Office assists the states with model development, analysis of projected costs and benefits, and development of program infrastructure.

Service Credit Banking is another Robert Wood Johnson Foundation initiative that uses elder volunteers to provide in-home supportive services. For each hour of service that is given, one credit is earned. Credits are then banked and drawn upon when the volunteer needs assistance. Services provided include light housekeeping, transportation, entitlement awareness, and peer counseling. With funding from NIA, a National Directory of Service Credit Banking sites was compiled and it currently contains almost 100 operating sites. Current research in the Center's Division of Economics of Health and Aging includes developing prototype programs for managed care organizations.

A telephone **Survey of Long-Term Care Attitudes** was commissioned by the Health Insurance Association of America and the American Council of Life Insurers. It deals with perspectives on long-term care as a national priority. A 50-question instrument was utilized and results were tabulated from 1000 respondents. The survey established how Americans feel about long-term care as an area for additional government intervention or private industry development.

Field Initiated Research on Community-Based Care, a project funded by the Administration on Aging, will provide state and local governments with research support for developing and analyzing data to implement long-term care financing and delivery system reforms. The research will assist states in the creation of a data base capable of supporting an insurance program which includes home and community-based services, and also coordinates the entire spectrum of services which are required to assist elders to remain in their homes. The goal of the grant is to examine whether a data system on long-term care utilization and cost patterns can be developed from existing sources in each state that, when supplemented with selective data collection, can be used to model insurance programs, and also whether home and community care services can be treated as insurable events.

The **National Panel Study on Health and Aging** is a data base on 30,000 elders in eight sites nationally. Data is being collected on health status, barriers to carrying out activities of daily living, housing, service utilization and unmet needs for a random sample of the over age 55 population in sites in Arkansas, Maryland, California, Michigan, Illinois, Massachusetts, Texas, and Montana. Multiple source funding for the pilot and survey activities includes the American Association for Retired Persons, the Arkansas Association of Area Agencies on Aging, and the Maryland Department of Health and Mental Hygiene.

Informal Support Systems and the Impact on Caregivers: Examining caregiving roles of people who have responsibility for caring for elderly relatives living in the community; determining their real support needs and availability of home and community-based care resources; and developing educational interventions that will lead to improved family caregiving and prevent abuse.

Increasing Skeletal Muscle Mass in the Elderly: Skeletal muscle mass decreases as people age, and many other functions that deteriorate with age have been related to this change in body composition. Our goal is to submit older individuals to strength training to determine if we can increase their skeletal muscle mass, and if we can, what effect this will have on other functions that deteriorate with age.

Exercise and Hypertension: Hypertension is evident in as much as 50% of the American population over the age of 60. Exercise training appears to lower blood pressure in these older hypertensives to the same degree as in young and middle-aged hypertensives. We are continuing to study the mechanisms by which exercise training lowers blood pressure in older and younger populations. We are currently involved in projects funded by the Maryland Affiliate of the American Heart Association to assess the effects of weight loss and exercise training on the blood pressure, plasma insulin levels, and sympathetic nervous system activity of older overweight hypertensive men.

Exercise and Diabetes: Diabetes is a common problem in the elderly population in the United States. We have previously reported that endurance exercise training can improve glucose tolerance and insulin resistance in otherwise healthy men and women 60-79 years of age. We are continuing to study this beneficial adaptation, the mechanisms responsible for it, and the implications of it.

Cardiovascular and Metabolic Effects of Exercise Training on Older Individuals: We published the first data indicating that individuals over the age of 60 can adapt to endurance exercise training qualitatively and quantitatively the same as much younger individuals. We are continuing to describe these adaptations and attempting to better understand the underlying mechanisms.

Using Social Support to Enhance Smoking Cessation in Older Persons: A joint project with the UMCP Department of Health Education funded by the Administration on Aging designed to improve the quality of life of older persons through the enhancement of smoking cessation efforts.

RESEARCH FACILITIES

The **Interdisciplinary Health Research Laboratory** (IHRL) was created in 1987 to undertake health assessment and longitudinal data base projects on aging. The laboratory has the capacity to conduct national, regional, state, and local surveys and related research with particular capabilities in the planning and conduct of telephone surveys. The IHRL consists of eight individual Apple Macintosh workstations running Macintosh Computer Assisted Telephone Interviewing (MaCATI) software which was developed at Bowling Green University by the Population and Society Research Center.

EDUCATIONAL PROGRAMS

Graduate Gerontology Certificate Program: The Center on Aging, in concert with several academic departments at the University of Maryland, offers the Graduate Gerontology Certificate for students who are completing or have already completed their master's or doctoral degrees. The program is implemented at the University of Maryland through joint faculty and course offerings. The curriculum of the program is divided into three segments: academic course work, research, and field training experience.

Courses deal with such current concerns as:

- Health Problems of the Aging and Aged
- Comprehensive Health Planning for the Elderly
- Senior Center Administration and Planning
- Clinical Social Work with the Aging
- Physiological Aspects of Aging
- Adult Counseling
- Psychiatric Epidemiology
- Leisure Services
- Work and Retirement
- Family and Aging
- Aging and Social Policy

The Center has developed many **field placements** in public and voluntary service agencies, congressional offices, and national associations consistent with the Center's location in the Washington, DC metropolitan area. This experience helps to marry the student's academic preparation with real-life circumstances, and may lead to excellent job opportunities in the aging network, and expanding allied fields.

Gerontology Concentration: This program was launched in the Fall of 1990 to offer service providers, educators, and planners preparation and training to meet the specific needs of an aging population. The curriculum is offered by University College as a primary concentration leading to a Bachelor of Arts or Bachelor of Science degree

The program is divided into three tracks in order to meet the individual needs and interests of the student as well as the varying demands of the health and long-term care industry regarding gerontology. The three tracks are as follows:

1) Administration of Long-term Care Facilities: Designed to develop skills in managing all aspects of long-term care service systems.

2) Management of Senior Housing Facilities: Designed to provide training in managing diverse facilities in the housing industry.

3) Generalist in Gerontology: Designed to provide flexibility in meeting the individual needs of the students coming from various health and social service backgrounds.

Institute for Gerontological Practice offers a program of quality instruction for practitioners in the field of aging. The Institute unites front-line practitioners, administrators, social workers, educators, health care professionals, graduate and undergraduate students, and policy-makers in collective study of the aging process and the environment in which we age. A wide variety of courses enable students to tailor a program to fit career desires in many fields including: Senior Centers, Seniors' Housing Programs, Recreation, Nursing Homes, Nutrition Projects, Adult Day Care, Home Care, State and Area Agencies on Aging, Rural Service Agencies.

The Institute for Gerontological Practice is designed so that anyone may attend classes, regardless of previous college experience or enrollment in a certificate program. Students have the option of receiving either **academic credit** or **continuing education units** (CEUs), or they can take courses for non-credit for personal information and training.

The Institute for Gerontological Practice awards **certificates of completion** in the following specialized fields: Senior Center Administration, Adult Day Care Management, and Rural Aging Administration. Off-campus field work is an integral part of the program as it is an opportunity to apply theoretical knowledge and test the student's competence under supervision.

RESEARCH SUPPORT

Research within the Center has been or is being supported by the following organizations:

PRIVATE SPONSORS

- Albany General Hospital
- AT&T
- The Andrus Foundation, American Associate of Retired Persons
- Beverly Enterprises
- Charter House
- The Chesapeake and Potomac Telephone Company
- Ford Foundation
- Health Insurance Association of America
- The Joseph P. Kennedy, Jr. Foundation
- The Keland Endowment of The Johnson Foundation
- The Marion I. and Henry J. Knott Foundation
- The Elvirita Lewis Foundation
- Manor HealthCare Corporation
- Meridian Heathcare
- The Pew Memorial Trust
- The Retirement Research Foundation
- Robert Wood Johnson Foundation
- United Jewish Endowment Fund of the United Jewish Appeal of Greater Washington

PUBLIC SPONSORS

- ACTION
- Arkansas Association of Area Agencies on Aging
- Illinois State Office on Aging
- Maryland Affiliate of the American Heart Association
- Maryland Commission on Drugs
- Maryland State Department of Health and Mental Hygiene
- Maryland State Office on Aging
- Maryland State Planning Council on Developmental Disabilities
- Montgomery County Department of Public Libraries
- Montgomery County Drug Council
- National Institute on Aging
- President's Committee on Mental Retardation
- U.S. Department of Health and Human Services

FACULTY AND RESEARCH ASSOCIATES

Jill C. Feasley is a faculty research assistant with the Division of Economics of Health and Aging. She currently coordinates a Robert Wood Johnson Foundation grant to establish service credit banking programs within managed care organizations. Before joining the Center on Aging, Ms. Feasley was a legislative fellow with the U.S. Senate Subcommittee on Aging. While there she worked extensively on the reauthorization of the Older Americans Act. She has also conducted research on a variety of aging issues at the U.S. General Accounting Office and has been a direct service provider for IONA Senior Services, a non-profit social service agency serving seniors in Washington, DC.

James M. Hagberg is an associate professor of Kinesiology and was appointed associate director of the Division of Applied Physiology at the Center on Aging in 1988. He is also a guest scientist at the Gerontology Research Center of the National Institute on Aging, where he is engaged in a study of the cardiovascular and metabolic effects of exercise training on older men. In addition, he serves as associate professor in the Division of Geriatrics at Johns Hopkins University Medical School, the Division of General Internal Medicine and Geriatrics at the University of Maryland at Baltimore School of Medicine and the Baltimore Veterans Administrative Center. He is also the Associate Director of Research at the Baltimore Veterans Administrative Medical Center, Geriatric Research, Education, and Clinical Center (GRECC). Before coming to Maryland, Dr. Hagberg taught at the University of Florida, in the School of Medicine and the Department of Sport and Exercise Sciences. While there, he also served as co-director of the Center for Exercise Science. Previously, he was an associate professor and director of the Human Exercise Physiology Laboratory, Departments of Medicine and Preventive Medicine and Physical Therapy, Washington University School of Medicine, St. Louis, Missouri. In 1978 he was awarded a National Institutes of Health (NIH) Postdoctoral Fellowship. The author of more than 110 scientific papers, Dr. Hagberg has done extensive research on physiological aging and the implications of exercise, endurance and weight training in older men and women. In 1983, he was awarded the New Investigator Award by the American College of Sports Medicine.

Stephanie Kay is a faculty research assistant with the Center on Aging and is assistant director of training for the National Eldercare Institute on Employment and Volunteerism. She has been with the University of Maryland Center on Aging since 1983, directing the Graduate Gerontology Certificate Program and providing, career, personal and job-related counseling to students. She is the field placement coordinator, conducting seminars and supervising interns in aging-related sites. Ms. Kay has also taught courses in adult development and aging at the University of Maryland and George Washington University and authored articles in the Journal of Counseling and Development and the New Jersey journal of Professional Counseling. She served as project coordinator for the Senior Companion Program Conference in 1991. Ms. Kay is a National Certified Career and Gerontological Counselor and is a Certified Professional Counselor.

Linda Loranger is communications director for the Long-Term Care Insurance Partnership Program which is based at the Center on Aging and funded in part by the Robert Wood Johnson Foundation. As communications director for the national program, she handles media inquiries and actively pursues publicity for the innovative project which is operational in four states: California, Connecticut, Indiana and New York. Before coming to the University of Maryland Ms. Loranger was a reporter with the Harford *Courant*, a Pulitzer prize winning daily newspaper in Connecticut. She spent three years at the *Courant*, covering breaking news, environmental issues and writing in-depth feature articles. Prior to the *Courant*, Ms. Loranger covered courts and police for a smaller daily in Connecticut, the *Journal-Inquirer*. She started her reporting career in 1986 at *Foster's Daily Democrat* in Dover, New Hampshire, where she was in charge of two beat reporters.

Daniel L. Luxenberg is a faculty research assistant with the Center on Aging and manager of the Interdisciplinary Health Research Laboratory of the College of Health and Human Performance. He joined the Center in March 1992 to assist with telephone survey methodology, statistical analysis of data, and computer utilization/network management. Mr. Luxenberg is a doctoral candidate in the Department of Health Education and he is interested in the application of technology to health education. Before coming to the Center, he was involved with the Maryland Data Base on Alcohol and Drug Prevention and Treatment. Mr. Luxenberg has taught several courses in health at the University of Maryland and has authored articles in the field of stress management and psychophysiology.

Hunter L. McKay serves as assistant director of the Division of Economics of Health and Aging. Before coming to the University of Maryland, he was assistant director for long-term care in the Massachusetts Executive Office of Human Services. As assistant director, he coordinated the activities of several state agencies in projects involving long-term care systems reform in Massachusetts. Mr. McKay joined the staff of Massachusetts Medicaid in 1979, where he completed studies related to Medicaid reimbursement and health systems organization, and directed the development of alternative health care delivery programs for various Medicaid populations. In 1984, Mr. McKay joined the staff of Blue Cross and Blue Shield of Massachusetts, where he was a program manager in the Health Programs Development Office. While there he designed a prototype long-term care insurance product and worked with the National Blue Cross and Blue Shield Committee in formulating product development strategies, hiring actuarial expertise and test marketing.

Mark R. Meiners, one of the leading experts on private insurance of the elderly in the United States, is associate director of the Division of Economics of Health and Aging at the University of Maryland Center on Aging. He is also an associate professor of Health Education. He directs the Center's Robert Wood Johnson Foundation Program to Promote Long-Term Care Insurance for the Elderly and the Center's Service Credit Banking Projects. Dr. Meiners came to the Center on Aging from the National Center for Health Services Research and Health Care Technology

Assessment (NCHSR), where he served as senior research manager and economist. Previously, he held research positions at the National Center for Health Statistics, the U.S. Department of Commerce, and the U.S. Department of Labor. His current research interests deal with different aspects of long-term care financing. He testifies frequently before congressional committees and national task forces on health care financing and reimbursement issues. He has written numerous articles on this subject, including: Asset Spend-Down In Nursing Homes: Methods and Insights, *Medical Care*; Use and Cost of Health Services Prior to Death: A Comparison of the Medicare-Only and the Medicare/Medicaid Eligible Populations, *Milbank Memorial Fund Quarterly*; Private Versus Social Long-Term Care Insurance: Beware the Comparison, *Generations*.

Lori Simon-Rusinowitz is associate director of the National Eldercare Institute on Employment and Volunteerism. Before coming to the University of Maryland in 1992, Dr. Simon-Rusinowitz was a senior research associate at the National Health Policy Forum, located at George Washington University. In that capacity, she developed educational programs about aging policy issues for congressional staffers and administrators from various federal agencies. She wrote issue briefs to discuss policy issues addressed by each program, including topics such as community caregiving programs, personal assistance services, and Medicaid spend-down and asset transfers. Prior to that position, Dr. Simon-Rusinowitz served as director of the Fellowship Programs in Applied Gerontology at The Gerontological Society of America. Dr. Simon-Rusinowitz was a 1987 Gerontological Society of American Fellow in Applied Gerontology, during which time she studies policy issues regarding payment to family caregivers. She recently co-authored a book on this subject, *Wages for Caring* (Praeger). Dr. Simon-Rusinowitz has written in various professional journals including *The Gerontologist, Journal of Aging & Social Policy, Journal of Health & Social Policy, Journal of Applied Gerontology, Home Health Care Services Quarterly,* and *Health and Social Work*. Her research interests include long-term care policy, family caregiving, and aging and disabilities.

Sharon P. Simson is a faculty research associate with the Center on Aging and is assistant director for research and evaluation for the National Eldercare Institute on Employment and Volunteerism. Before coming to the University of Maryland in 1991 where she also teaches gerontology in University College, Dr. Simson was associate professor of evaluation and applied research and associate chief of geriatrics at Hahnemann University Medical Center in Philadelphia. Dr. Simson has held fellowships from NIMH, NIH, and the Gerontological Society of America. She recently attained a master's degree in health administration and is certified as a Retirement Housing Professional by the American Association of Homes for the Aging. She has served as trustee and secretary of the Board of Presbyterian Homes and Foundation of New Jersey, Inc., as a member of the Committee on Aging of the Religious Society of Friends, and as an elected delegate to the Biannual national convention of the American Association of Retired Persons. Dr. Simson has been awarded government and foundation grants and has been a consultant to public and private organizations. She is author of more than sixty scientific publications and is co-author, with Laura B. Wilson, of *Handbook Geriatric Emergency Care* (University Park/Aspen), *Prevention and Aging* (Haworth), and *Minority Health*, a special edition of the *Journal of Evaluation and Program Planning* (Pergamon Press).

Laura B. Wilson was appointed director of the University of Maryland Center on Aging in 1987. In addition to her administrative duties she holds a faculty appointment in the Department of Health Education. Dr. Wilson also holds faculty appointments at the University of Maryland at Baltimore School of Medicine and the Baltimore Veterans Administrative Center. She is the director of the National Eldercare Institute on Employment and Volunteerism and the director of the Interdisciplinary Health Research Laboratory which conducts research surveys on local and national health issues. She is co-director of the National Panel Study on Health and Aging, jointly conducted by the Institute on Aging and Public Health at Indiana/Purdue University at Ft. Wayne. Prior to joining the University faculty, Dr. Wilson served as chairman of the Department of Gerontology and Geriatric Services and director of the Southwest Long Term Care Gerontology Center at the University of Texas Health Science Center at Dallas. She served as a National Fund for Medical Education Fellow and as a National Institute of Mental Health Postdoctoral Research Fellow. In 1972 she was a visiting scholar at the Institute for Interdisciplinary Education in Manchester, England. Dr. Wilson has written for numerous professional journals including *Home Health Services Quarterly, Physical Therapy, The Hospice Journal, Aging Network News, Pride Institute Journal of Long Term Home Health Care, Hospitals, Gerontology and Geriatrics Education, Journal of Prevention and Human Services, Pennsylvania Medicine, Evaluation News Quarterly Bulletin, The Gerontologist, Health and Social Work, Hospital and Community Psychiatry, and Social Work in Health Care*. Her current research interests include long-term care, health promotions, disease prevention and aging, and intergenerational issues.

James B. Zink is the assistant to the director of the Institute for Gerontological Practice, which is a training institute for service providers in the field of aging. Since 1987 he has also held positions of data management specialist for the National Eldercare Institute on Employment and Volunteerism and research assistant with the Center on Aging Division of Economics of Health and Aging.

Jean B. Zink is a faculty research assistant and is assistent director for public relations for the National Eldercare Institute on Employment and Volunteerism. Since her appointment to the Center in 1985, Ms. Zink has served as project manager for the Center's AoA Aging and Developmental Disabilities Partners Project training grant and project manager of a needs assessment for special populations in Montgomery County. She has coordinated conferences on family caregiving, and has served as co-coordinator of ACTION'S Senior Companion Directors national conference. Ms. Zink also serves as assistant to the Associate Dean for Research and Development.

Prosperity Eludes Many Elderly Women

Pension Gap, Work Patterns Leave Benefits Trailing Those of Men

By Spencer Rich
Washington Post Staff Writer

Don't tell Dorothy Morris that, as an elderly person, she is a member of one of the nation's most prosperous groups.

Morris, 69, who lives in Burke, said she "worked all my life," but all she can show for it is a combined income of $453 a month from Social Security and a pension of her former husband, from whom she is divorced.

"I have no property. I have no cash accounts. I've depleted my savings account," Morris said. "I have no pension of my own." To survive, she cares for children and the elderly in other people's homes.

BY LARRY MORRIS—THE WASHINGTON POST
Retiree Dorothy Morris of Burke receives a total income of $453 a month.

Of the 17.8 million women 65 or older, 2.8 million have incomes below the poverty line. Another 1.5 million older women live just above the poverty line. Most are widowed or divorced.

Although the elderly as a group are better off than the population as a whole, the slightly lower rate of poverty among the elderly is heavily influenced by the incomes of older men. Far fewer men 65 and older than women in that group are poor. And widows and divorcees are the poorest of all.

Many women face privation in old age because of gaps in the nation's retirement-income system. Their Social Security benefits usually are lower than those of men. And only one-quarter of older women have any pension supplementing Social Security.

"Things look absolutely dismal," said Lou Glasse, president of the Older Women's League.

See RETIREMENT, A8, Col. 1

Source: The Washington Post
September 12, 1992
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Pension Gap Seen Unlikely to Close

RETIREMENT, From A8

credits earned from that employer are normally lost. Many workers in pension-covered jobs, especially women, don't stay long enough to become vested, let alone earn the maximum benefits, which get bigger as salary and length of employment grow.

Take Dorothy Morris. She worked virtually all her life—in libraries, World War II shipyards, 12 years part time at a California hospital—but never earned even a minimal pension benefit. "Some jobs had no pension system. In others I didn't work long enough to vest," she said. Or she was excluded because she worked part time. To supplement her $333 monthly Social Security check she has only a pension of $120 from her former husband.

Most employer pensions exclude part-time workers, and pensions are seldom increased to compensate for inflation. Moreover, the size of a pension is often reduced by some portion of a retiree's Social Security benefits.

Many widows have found themselves without a pension when their spouses died, although recent laws require that a widow receive some portion of her husband's benefits unless she specifically waives that right before her husband retires. Pensions that continue after a spouse's death are generally smaller than those that terminate when the retiree dies.

Still, the long-term pension picture for women is not totally gloomy, said Dallas Salisbury, director of the nonprofit Employee Benefit Research Institute (EBRI).

He said changes in federal pension laws will help boost retirement income for women, including changes cutting the vesting period from 10 years to five, guaranteeing benefits to widows and making it harder for workers to spend certain retirement nest eggs they receive when leaving a job. In addition, more women are working in jobs that give them private pensions.

"These things will eventually push up" both the proportion of women getting pensions other than Social Security and the amounts they get, Salisbury said.

But Sara Rix of the American Association of Retired Persons said that for the foreseeable future, "women's lifetime earnings are unlikely to come close to those of men for a lot of reasons: continued time out of the labor force for care of children, continued segregation in traditional women's occupations and in industries with low pension coverage and low pay." So retirement income won't fully catch up.

"Unless we act soon...millions more women will become destitute in old age as the baby boom generation retires."

—Rep. William J. Hughes (D-N.J.)

Moreover, Ferguson said, a new development might hurt the retirement income of both men and women. Employers are replacing traditional fixed-benefits pension plans with tax-favored savings plans that in many cases are more dependent on employee contributions.

Typical of these tax-favored retirement plans is the 401(k), in which an employer matches employee contributions up to about 3 percent of the employee's salary, said Don Grubbs, a pension actuary. If a worker contributes less, so does the employer. In the traditional fixed-benefits type of plan, the employer would contribute about 7 percent of a worker's salary to a retirement plan, Grubbs said.

Under the traditional plan, the worker would receive a fixed benefit for the rest of his or her life. In

"This shift could sap pension coverage for moderate-income workers, men or women," Ferguson said, because moderate-income workers often feel they can't afford to participate and thus will end up with nothing for their retirement. "It will be particularly disastrous for women," she added.

Most proposed solutions to the problem of inadequate retirement income for older women would cost businesses or taxpayers a lot of money. Pension specialists have made a number of suggestions, among them to:

- Raise Social Security benefits by excluding from calculations of average lifetime earnings any years in which a woman did not work because of childbearing.
- Raise Social Security benefits for the lowest-income people and cut benefits for the highest-income recipients, who are better able to use personal funds to buy more tax-favored retirement plans.
- Improve welfare benefits that the very-low-income elderly receive as a supplement to Social Security benefits.
- Require all companies to offer pension plans and prohibit them from using Social Security benefits to offset their benefits.
- Cut pension vesting in private plans to three years and prohibit anyone from spending a lump-sum distribution before retirement.
- Allow workers to accumulate pension credits by transferring them from one job to another.

Morris views herself as lucky. She was able to move in with her son and his family a few years ago. Many do not have that option.

Income of Elderly Is Higher for Men

Among the elderly, 12.4 percent live in poverty, making them more prosperous as a group than the population as a whole, which has a poverty rate of 14.2 percent.

But the poverty rate for the elderly is heavily influenced by the relatively higher incomes of older men. Of the 17.8 million elderly women, 15.5 percent, or nearly 2.8 million, are poor, and 1.5 million others have incomes barely above the poverty level of $6,532 for sin-

A Pensionless Future?

Workers at Risk as Firms Abandon Plans

By David A. Vise
Washington Post Staff Writer

Millions of American workers will lack the money they need to support themselves as they grow older because of a drastic decline in the availability of company-provided pensions, according to interviews with dozens of experts and several recent studies.

The rapid demise of pensions, one of the most profound changes in retirement benefits in decades, is the latest example of companies transferring financial risks and costs to their employees.

For decades, thousands of American companies provided employees with pensions. But in the last several years, large firms have embraced savings plans that rely heavily on voluntary employee contributions. In addition, most small and mid-size companies—which have created most of the new jobs in recent years—have abandoned pension plans, opting instead for savings plans or no retirement benefits at all.

The major problem, experts said, is that many employees do not participate in savings plans. And among those who do, many withdraw their money and spend it while they are still working, leaving little if any funds for retirement.

"This trend away from pensions is going to dramatically increase the number of older Americans who cannot make ends meet in retirement," said Karen Ferguson, director of the Washington-based Pension Rights Center. "It is a shocking trend; it is recognized by everybody in the pension community, but nobody is speaking out about it."

J. Carter Beese Jr., a Securities and Exchange Commission member who has been studying the shift, agreed that the heavy reliance on what are called 401(k) savings plans will produce major problems as baby boomers approach retirement age.

> *"The baby boomers are leasing a lifestyle from the last third of their life."*
>
> — SEC member J. Carter Beese

Many employees, faced with a choice between voluntary saving for retirement and what they perceive as more pressing needs—from buying a new car to paying the mortgage, doctor bills, education and vacation expenses—choose not to participate in their 401(k) savings plans, he said.

By the time they reach their late forties or early fifties and begin worrying about retirement, it is usually too late for them to amass enough savings in 401(k) plans, he said.

"A whole generation of people are going to wake up years from now and say, 'God, I wish I had known when I was 32 that I should have been putting this money in,' " said Myron Mintz, chairman of the federal Pension Benefit Guaranty Corp.'s (PBGC) advisory committee and a partner at the Washington law firm of Dickstein, Shapiro & Morin.

"All these people are not going to have adequate retirement income," he said. "It is a very unfair thing to saddle young people with 401(k) plans. It shifts the burden of retirement planning and retirement investing to those people who are least able to afford it. A lot of people are not putting money in because they have kids in school and health costs."

Even among those who decide to sign up for 401(k) plans, most employees withdraw the money from 401(k) plans and spend it when they switch jobs, completely wiping out the funds set aside for retirement, Beese said.

At Apple Computer Inc.—where more than 90 percent of employees participate in a 401(k) plan—many have withdrawn funds and spent them on housing and other items while they are still working.

In California, where Apple is based, "housing costs are so high and tax rates are high. People need something to give them a tax break in the short run so they can save for the house," said Sherrie Grabot, manager of the 401(k) plan at Apple. "Out here where real estate values appreciate faster than anything but medical costs, that is not necessarily a bad thing."

Beese disagrees. "The baby boomers are leasing a lifestyle from the last third of their life," he said. "If you are going to use retirement assets to fund current consumption, you are leasing from your future standard of living. There is a lack of appreciation for how much money you need to save to get to where you want to be in retirement."

Ironically, the growing cost and complexity of federal regulation of pension plans is one of the main reasons many companies now shun them.

"The proliferation of pension regulations, which accelerated in the mid-1980s, has undermined the incentive for employers to provide pension plans," said Kathleen Utgoff, an economist with the law firm of Groome & Nordberg in Washington and former head of the PBGC.

Named for a provision of the tax code, 401(k) plans permit employees to make tax-deductible payroll contributions toward their own individual savings plans. Many companies match employee contributions, and the funds in the plans accumulate tax-free until they are withdrawn, giving employees a potential source of funds in retirement in addition to Social Security.

Virtually all major employers offer 401(k) savings plans and their popularity has increased so much in the past decade that they now cover more than 36 million active workers, roughly 10 million more than are covered by traditional pension plans, according to David George Ball, who served as assistant labor secretary under President George Bush and is a partner with the Williams, Mullen, Christian & Dobbins law firm.

Traditional pensions have been called "the invisible benefit" because some employees placed little value on them, in part because of the paucity of information employers provided. Puzzled by the complexity of pension plans, employees seem to appreciate 401(k) savings plans more because they are easy to understand, provide them with the freedom to make investment choices and can be taken with them when they switch jobs, Ball said.

"Our employees very much like the choice," said Joanne Horgan, director of personnel administration at American Management Systems Inc. in Arlington.

"We have heard it loud and clear from our employees. They want the opportunity to take advantage of 401(k)s and be able to invest in things they want to invest in," said Michael Goldman, executive vice president of ICF International Inc., a Fairfax-based environmental consulting and engineering firm with 4,200 employees.

"People like to see the statement you get from Vanguard [an investment firm that handles the administration of many plans] that says you have X thousands of dollars and they know tomorrow that is available to them if they choose."

ICF has offered a 401(k) plan to employees since 1989 that is comprised entirely of employee contributions, with no company matching funds. "Not all the responsibility is the employer's anymore to take care of people from cradle to grave," Goldman said. "We want to get employees to take some responsibility."

If the money that companies contributed to traditional pension funds was invested poorly, the companies had to put in more cash to pay promised benefits. They have no similar risk with 401(k) plans, since employees invest the funds.

"Employers love them because once they make their annual contribution, they have no further obligation to fund the plan," said Ball. "The investment risk is on the employee."

Ball said that to combat the prob-

lem of inadequate employee participation in 401(k) savings plans, employees must be provided with more education about how to save and invest for retirement. "Taking assets out of the hands of professional money managers and putting them into the hands of individuals almost ensures people are not going to have enough money to retire on," Beese said. "Most Americans know how to save. They don't know how to invest."

Ball said another reason cost-conscious employers favor 401(k) plans is that employees contribute funds for their own retirement, eliminating or reducing the expense of a company-provided pension. And companies that match employee contributions only do so for those who participate. Under traditional pension plans, companies provided pensions to virtually all of their employees.

There is another added cost. Companies with pension plans also must pay annual premiums to the PBGC, the federal agency that insures private-sector pensions. Those premiums have risen from $1 per employee in 1974, when the agency was created, to a minimum of $19 per employee, and experts expect premiums to rise further.

In some respects, the shift from pension plans to 401(k) plans reflects other changes in the workplace. The once paternalistic employer no longer provides as much job security, health-care coverage or retirement benefits.

Ball calls traditional pension plans "dinosaurs" and says the shift to 401(k) plans especially benefits employees who change jobs frequently. Traditional pension plans tend to favor those who stay with a single employer for many years. Many of the

> *"A lot of people are not putting money in [401(k)s] because they have kids in school and health costs."*
>
> — Myron Mintz, chairman, PBGC advisory committee

large employers offering employees both types of plans are putting most of their new retirement dollars into savings plans, he said.

A recent survey of small and mid-sized companies by the Grant Thornton accounting firm found that 22 percent had abandoned their traditional pension plans to avoid regulations or cut costs.

"There is a huge hassle factor and feeling of far too much money going out the door to lawyers, accountants and actuaries rather than that money going to the payment of benefits," said Dallas Salisbury, head of the Washington-based Employee Benefits Research Institute.

Part of the shift to 401K plans mirrors job trends. Large employers in steel, autos and heavy industry, which typically provided workers with pensions, have been shrinking, while the number of service sector firms, where 401K plans are more prevalent, has been growing.

Savings plans "represent the future direction . . . as America moves into the 21st century," said John Biggs, chief executive of New York-based TIAA-CREF, the giant retirement savings plan for college and private school teachers.

Ferguson of the Pension Rights Center said that after more than a decade of government policy favoring the growth of 401(k) savings plans, the administration ought to encourage new laws that restore the appeal of traditional company-sponsored pension plans. That may be the only way, she warned, to prevent a future cash crunch for millions of Americans.

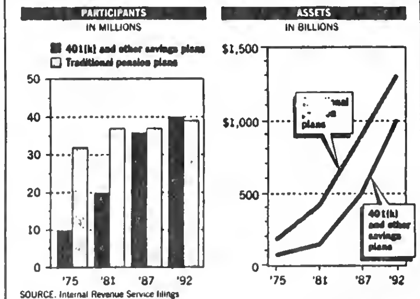
One of the long-standing arguments in favor of Social Security is that it provides at least a portion of needed retirement income for everyone, including those who lack the discipline to save. That remains one of the main arguments in favor of traditional pension plans.

Martin Slate, the recently appointed head of the PBGC and a member of a Clinton administration task force studying this and related issues, said he values pensions because they offer predictable retirement payments for hourly workers.

Traditional pension plans "have a place and we need to look at that in the context of administration policy," Slate said. "They provide specific fixed benefits and those do play a role in the work force. I think it is important to assure that role."

THE RISE OF THE 401(k)

The number of participants (both workers and retirees) in 401(k) plans has doubled in the last decade. The total assets of traditional pension plans still exceed 401(k) plans assets, but that gap has been narrowing rapidly.



SOURCE: Internal Revenue Service filings

THE WASHINGTON POST

Source: The Washington Post
May 13, 1993
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National Eldercare Institute on Employment and Volunteerism

Older Americans Act
NATIONAL ELDERCARE CAMPAIGN

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MISSION

To increase public awareness of volunteer and employment issues and opportunities in the care of the elderly.

To increase the potential for the development of new or expanded approaches in volunteerism and employment in both the public and private sectors.

ELDERCARE CAMPAIGN

The National Eldercare Institute on Employment and Volunteerism is part of the **National Eldercare Campaign** initiated by the Administration on Aging of the U.S. Department of Health and Human Services. This Campaign is a nationwide, multi-year effort to mobilize resources for home and community-based care for older persons at risk of losing their self-sufficiency.

The cornerstone of this campaign is a national public awareness strategy. It is directed toward making all segments of society aware of the implications of an aging society and of the role public, private, and voluntary organizations can play in ensuring the availability and accessibility of home and community-based services for older persons at risk, now and in the future.

Awards for National Eldercare Institutes are authorized by Titles II and IV of the Older Americans Act, Public Law 89-73, as amended.

INSTITUTE PROJECTS

☑ POLICY ANALYSIS

Policies on volunteerism and eldercare services at the local, state and national levels.

☑ BEST PRACTICE MODELS/ INFORMATION EXCHANGE

Strategies to transfer knowledge concerning best practice models in volunteerism.

☑ CLEARING HOUSE

Computerized data base on Institute's curriculum, training, policy, research, and best practice models.

☑ PUBLIC INFORMATION

Materials on employment and volunteerism in the aging community.

☑ TRAINING AND TECHNICAL ASSISTANCE

Training modules, videotapes, bilingual materials.

Conferences and workshops.

Technical assistance.

☑ SERVICE DEMONSTRATION MODEL

Expansion of Service Credit Banking.

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Ms. MASTEN. Thank you, Dr. Simon-Rusinowitz.

Next we have Dr. Laurel Beedon. Dr. Beedon is a Senior Analyst on the Economics Team of the Public Policy Institute at the American Association of Retired Persons. She specializes in Social Security, disability in aging, and other retirement income issues. Prior to her appointment at AARP she worked with both the Social Security Administration's Office of Research and Statistics in the area of international disability programs and supplemental security income, and the Office of Governmental Affairs.

Dr. Beedon was also on the faculty of the George Washington University and Virginia Tech, as well as serving on the staff of the Joint House-Senate Committee on American Indian Policy. She has published numerous articles on various aspects of Social Security, disability, and retirement income. She is a member of the National Academy of Social Insurance and co-chairs the Women's Task Force of the Save Our Security Coalition.

Dr. Beedon.

STATEMENT OF LAUREL E. BEEDON, SENIOR ANALYST, PUBLIC POLICY INSTITUTE, AMERICAN ASSOCIATION OF RETIRED PERSONS, WASHINGTON, DC

Ms. BEEDON. Cindy and I decided that seeing as we have the good side of the table here—you notice how there are four people all jammed down at the other end, and there are only two of us here?

I don't know how we worked that out, but we thought we'd sit—are you all awake, after having to sit all this time? I used to teach high school, too; that got left out of that, and I always hated the class after lunch because the kids were—you know.

So I just wanted to check. No aspersions cast on your ability to stay awake, but after you've had lunch and sat for a while, it does have a tendency to get dull, dull. We are dull people, the academics.

So if you want, stretch your arms, get the blood going, stamp your feet or whatever, and there will be a test when I'm through.

You've heard the "gee whiz" numbers from Martha and Sara and Lori. You've heard labor force numbers; the effect of race, of marriage patterns; wage differentials; poverty rates for women and people over 65. You've heard some allusion to what can be done about Social Security. It's my job here now to talk to you about some of those things that can be done. I'm going to review Social Security very, very briefly and very quickly, just so we're all on the same track.

The basic nature of Social Security—and when I say Social Security, I mean OASDI, Old Age Survivors and Disability Insurance; the trust funds that come back to you with a monthly payment. That's 6.2 percent of the FICA tax that we all pay. I have a little button on my bulletin board that says, "Who is this FICA, and why is he taking my money?"

That's your Social Security tax.

Social Security is social insurance. It's a mix of individual equity and social adequacy, a very hard concept to get across. Individual equity means that each one of us, as workers, participates. We "pay to play," and when we retire, become disabled, or die, we receive

a benefit and/or our family members receive benefits that are based upon the length of our work life and the level of income that we contributed to this system. That is a relationship that is important to keep there in the back of the mind.

Social adequacy—that's the other half of this—like the blindfolded lady who holds the scales. Social adequacy says that benefits are high enough to pay for a presumed need—you have to "pay to play;" but even if you've paid at the low income end, you are going to get a benefit. And here's the neat thing about Social Security, the benefit formula is tilted. That means that people who have worked long, low-income lives, and what we know from Martha is that this is black women, receive back a higher percentage of what they contributed to the system than high-income earners. The assumptions are what Lori was talking about: (1) that high-income earners are going to have pensions and are going to be able to save; (2) and low-income earners can't save because they have to put food on the table and shoes on the kids. Chances are, and again I go back to Martha's numbers about black women in the service industries which, as she noted, were mostly homeworkers; homeworkers didn't have pensions. But hopefully now, after all that has been happening, homeworkers are going to get their Social Security—or you'll never be Attorney General.

So Social Security provides a broad base of income, social insurance. Depending upon the times we're living in, it swings back and forth from an emphasis on individual equity to social adequacy. We're more in a social adequacy mode right now.

Issues of women—well, Social Security law is gender-neutral, and that's a problem. With our increasing labor force participation, with our greater likelihood of divorce, given that the income of elderly women is lower than the income of elderly men, we have a problem with the system that was started in 1935 when women were not in the labor force, they didn't get divorced, and their income really wasn't an issue because they didn't do that much work. Now, of course, things are very, very different.

With increasing labor force participation, women are eligible for their own Social Security. But what happens? Because our incomes are significantly lower than men's incomes, and Social Security benefits are based upon the length of your work life and the level of income that you had when you contributed to Social Security; and, if you are in and out of the paid labor force taking care of children, your elderly mother, your spouse who is ill, you have a broken work record and lower benefits. So what do you do?

Women are eligible for Social Security in several ways. They are eligible as a worker. They are eligible as a spouse, and they are eligible as a divorced spouse.

Now, as a spouse you are eligible for 50 percent of your spouse's Social Security benefit. You are also eligible for your benefit as a worker; that means that you "paid to play" while you were working, but Social Security says that you always get the higher amount of the two. Not the two added together, but whichever one is higher, okay? Now that [one benefit only], of course, is the social insurance principle that says that if everybody got the combination,

we wouldn't have a system; we'd go bust. (That's why health insurance companies only insure people who are not going to be sick.) You only get whichever is highest of the two.

Now, the Cleavers and the Bunkers. In your chart there you see what happens now. You have women saying, "Wait a minute. I worked and earned and contributed, and I'm not getting credit because my husband earned more money, and 50 percent of his benefit is higher than the benefit that I earned." And you go, "Whoa." And then there is Mrs. Doctor So-and-So—forgive my casting aspersions; this is the stereotype that physicians are rich, not necessarily so, but it's a good example—Mrs. Doctor So-and-So does not have to be in the paid labor force because her spouse makes sufficient money and she wants to stay home and raise the kids. And as we noticed, in Lori's example again, the high-income one-earner family actually receives a higher benefit than the two-earner family. So we have some equity problems right away.

Other societal problems: Greater likelihood of divorce. Today the probability of divorce—and I'm going to look down at the women statisticians—isn't it one in two if you're married today? It's a 50–50 shot. Tell your daughters, "Get a job."

It's true.

Now, you can get a divorced spouse's benefit, which is 50 percent of your former spouse's benefit if you were married to that individual for 10 years.

So, you have some older women who didn't get married until late in life and are now not eligible for a Social Security spouse's benefit. Or the other kicker is that if you are divorced, you are only eligible for a 50-percent spousal benefit—bear in mind that as a couple together, that's 150 percent; as one person it's 50 percent, and it's really hard to get along on that when you are older and living alone.

So we've got these problems. What are some of the options? Well, we've really got two. We have (1) major changes to the system, and we have (2) Band-Aids to the system.

The most prominent major change is called earnings sharing. It's kind of a misnomer. What it really is, is credit-sharing. When you work and earn and contribute to the system, when you "pay to play," you earn quarters of coverage. What happens currently, if you are out of the labor force, you aren't earning quarters of coverage. Again, Lori mentioned that the Social Security benefit formula is based upon 35 years of work and earnings, and if you don't have 35 years, it counts into the average as a zero.

So what do we do under earnings sharing? As a working couple, my spouse and I pool our quarters of coverage, and at divorce we share them or we divide them in half. Sounds like a great answer. It's a simple answer, and if somebody goes up to you on the street and says, "Well, what do you think? Is marriage an economic partnership?" Somebody said, "No, not now." It isn't. Should it be? Yes. Earnings sharing—would that make the Social Security part of it an economic partnership? The problems with earnings sharing are that there are winners and losers, and in a lot of cases we're not necessarily sure that the losers are the people we want to lose and that the winners are the people that we want to win.

The gray paper talks a little bit more about earnings sharing. It's a good idea. It's something we need to think about carefully. It's something we really need to work the hitches out of, but it is something to keep in the back of your mind and think about.

Small things that can be done, and they can be broken into equity and/or adequacy issues—eliminating the 7-year requirement for disabled widows. There is a rule in the law that says—and bear in mind, Social Security is there to replace income lost due to retirement, disability, or death of the worker—if you are a widow and you are severely disabled and you are age 50 or over, you are qualified to receive benefits as the spouse of a deceased worker. However, if you become disabled more than 7 years after the death of your spouse, tough.

Now, if you look at it carefully, the probability a severe disability is going to set in is higher the older you get. Your spouse is probably a little older than you are; that seems to be the way the numbers are running. (That's dumb, [marrying an older man] by the way. Those of you who have an opportunity, marry a young man.)

Women in the baby boom should run through at least two or three spouses, if we continue to marry. We're going to live a long time.

And hang on for 10 years, too, again, for what that's worth.

If you are older and you become disabled, the probability that you're going to find a job—well, let's make it real easy—the probability that you're going to find a job as an older woman, then add a disability to that, is just not real high.

An easy thing that can be done is to eliminate that 7-year attachment to your spouse's work record. Disability is so hard to get for Social Security anyway. Removing that 7-year rule isn't going to be that big a deal.

By the way, to give credit where credit is due, Congresswoman Nita Lowey and Congressman Bill Hughes have introduced five pieces of legislation. One eliminates the 7-year rule for disabled widows. This is part of the Women's Economic Equity Act—did I get that right? Congressman Hughes' staffer, Bill Johnston Walsh, is sitting back there and you can all mob him afterward and ask him about what it is you can do to help move the legislation through. Okay, that's number one.

Number two is eliminating the age 50 limit for disabled widows. If you are a widow and so severely disabled that you can't work, and you're only 30, I don't think it makes a whole heck of a lot of difference—unless we change Social Security disability and provide an awful lot of rehabilitation. If you want to read about that, the blue issue paper in the back, "Changing Social Security Disability,"* will tell you about that one.

Number three is spouses who are divorced after age 62. If I am 63, I am divorced from my spouse, and my spouse is still in the paid labor force, I must wait for 2 years before I can get my Social Security benefit. The rule would be an easy one to knock out. It hurts older, divorced women. There aren't a whole lot in this category, but to use that Band-Aid would make a really big difference for a number of women.

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* See prepared statement following oral testimony.

Number four is allowing 5 additional dropout years for caregivers. This is a very controversial [proposed] piece of legislation. Remember that we said Social Security is based upon 40 years of work; you can drop out the 5 lowest earning years, then 35 years of your work and earnings are averaged, and then that fits into the benefit formula to calculate what your monthly benefit will be. There's a little "two-pager" on calculating the Social Security benefit formula in your package, too.*

Allowing you to drop out another 5 years, from 35 to 30 years, is one of the proposed pieces of legislation. You would have to show yourself giving care to a child or a family member. Now, this was a proposed piece of legislation in 1983; those of you who weren't on the Moon, I think, remember that Social Security was about to go bust in 1983, and they were really fiddling around with it. What they said was, "Well, let's see if we can allow a few extra dropout years for women with children under 6." The proposal didn't even get into caring for your mom or your spouse. What they found was that it was incredibly expensive. This was proposed by Senator Armstrong, who was a Republican Senator, so we have a person with his eye on the pursestrings proposing this, and backing off because of the expense.

We have run numbers at the Public Policy Institute that show—now, go back in your mind to the 50 percent and the higher of the two benefits—that another 5 dropout years really don't make very much difference, because where the 5 dropout years are applied are to your benefit as a lower income earner, which is not going to be as high as the 50 percent spousal benefit, and who we're trying to help is the lower income people. Now, if you want to raise my income as a high earner, that's something else again. But this is a controversial proposal, and it's something that you want to keep in the back of your mind because there has to be some way that we can deal with this, that we can nudge it around. Maybe the way to go at it is through health care, but don't let it go; keep nudging at it. We need some good, new minds.

By the way, for those of you who are sitting in the audience, Debbie Chalfey, please wave. My introduction said I was the cochair of Arthur Fleming's Save Our Security Coalition Women's Committee. I met a person who is new to the Women and Income Security Group and said, "Boy, here's somebody whom I can sucker into doing this." She took on the hardest job in the world on this Women's Subcommittee. She has drawn together a group; actually, several of the people here at the table sit on that, about long-term solutions for Social Security and women. Debbie wave your hand. So you can mob Debbie when this is over, too.

One more small legislative solution is delayed retirement credits for women (DRC's). If you work and earn between the ages of 65 and 70 and you don't take your Social Security benefit, your Social Security benefit is increased when you decide to retire. This year, if you're 65 in 1993, it is increased by 4.5 percent for every year that you don't take your benefit between 65 and 70. Same flaw. If you are a widow and you are working, chances are your benefit as a widow, which is now 100 percent of your spouse's is higher.

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* See prepared statement following oral testimony.

Now, the delayed retirement credit applies to your own benefit. If your own benefit is smaller than the 100 percent spousal benefit, you're not getting anything. So what you want to do is tell people, "We want the DRCs, the delayed retirement credits, applied to the higher of the two benefits." That's really only fair. Again, Bill Johnston Walsh from Congressman Hughes' office can give you the listing of those pieces of legislation.

What I'm going to do is lead right into Cindy's talk about pension here. I think there are issues that women need to look at: They need to decide what it is that they want; and what they want Social Security to do. Do you see Social Security as the answer to poverty for women? If you do, maybe earnings sharing—pure earnings sharing—is not the thing you want. You may want some other method, as in the way some European countries do it, which is a two-tiered system where everybody gets a basic benefit, and then the "pay to play" benefit sits on top of that. These are things you want to think about.

Over the last 5 years there seems to be a real swing from equity to adequacy, so that's why this comes up in my mind.

Another key to this is how you view private pensions. Do you think private pensions should do more? Or less? Or should we just make employers do better what it is they're doing now? You have to remember that employers are paying half of that Social Security, and they want something for it. That's how integration began, that idea of "We can cut off part of your pension because we've paid for Social Security for you." The provision of pensions is going to react to how Social Security is provided.

It's important to remember that adjusting Social Security is not going to alter basic economic discrimination against women. Social Security reflects women's labor market status; it doesn't create it. So how you deal with that is something you really want to think about. Cindy can talk to you about the pension side of this and how that can be considered in this whole big pot of retirement income that we're all so concerned about. [Applause.]

[The prepared statement of Ms. Beedon follows:]

Average Annual Lifetime Earnings and 1992 Monthly Social Security Retirement Benefits[a]

	Cleavers	Bunkers	Keatons	Seavers
Earnings				
Husband	$24,000	$16,000	$12,000	$24,000
Wife	0	8,000	12,000	8,000
Family Total	$24,000	$24,000	$24,000	$32,000
Benefits				
Husband	$957 (WB)[b]	$712 WB	$591 WB	$957 WB
Wife	478 SB[b]	468 WB	591 WB	478 WB
Family Total	$1,435	$1,180	$1,182	$1,435
Survivor Benefits				
Amount	$957	$712	$591[c]	$957
As Percent of Couples Benefit	67%	60%	50%	67%

Footnotes:
[a] For workers retiring at age 65 in 1992.
[b] WB = Workers Benefit. SB = Spousal benefit.
[c] Spouse continues to collect on her own benefit. Survivor benefit does not apply.

Source: U.S. Congress House Select Committee on Aging. Subcommittee on Retirement Income and Employment (1992). How well do women fare under the nation's retirement policies? A report by the chairman and ranking Republican. Washington, D.C.: U.S. Government Printing office, Comm. Pub. No. 102-879.

Average Pension Income for Persons Over 65 in 1987								
	All Races		White		African American		Hispanic	
	Men	Women	Men	Women	Men	Women	Men	Women
Pension Income (Public and Private)								
Percent Receiving	46.0%	23.5%	47.9%	24.6%	23.0%	13.8%	27.7%	*
Average Annual Pension Income	$7,907	$4,723	$8,045	$4,726	$5,428	$4,828	$6,483	*
Private Pension Income Only								
Percent Receiving	32.0%	13.6%	33.2%	14.4%	22.5%	6.0%	*	*
Average Annual Pension Income	$5,727	$3,352	$5,809	$3,333	$4,435	$3,695	*	*

*Too small a sample to draw a figure.

SOURCE: Unpublished Census Bureau data, March 1988, Current Population Survey.

Source: In U.S. Congress House Select Committee on Aging. Subcommittee on Retirement Income and Employment (1992). How well do women fare under the nation's retirement policies? A report by the chairman and ranking Republican. Washington, D.C.: U.S. Government Printing office, Comm. Pub. No. 102-879.

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CHANGING SOCIAL SECURITY DISABILITY INSURANCE

Laurel E. Beedon

The Public Policy Institute was formed in 1985 as a part of the Division of Legislation, Research and Public Policy of the American Association of Retired Persons. One of the missions of the Institute is to foster research and analysis on public policy issues of interest to older Americans. This paper represents part of that effort.

The views expressed herein are for information, debate and discussion, and do not necessarily represent formal policies of the Association.

Executive Summary

The Social Security Disability Insurance (SSDI) program is facing serious short- and long-term challenges. "Changing Social Security Disability Insurance" focuses on three of these: the potential bankruptcy by 1997 of the SSDI trust funds; the consequences of the 1985-1990 budget cuts; and the decisions that must be made before changing the program to make it responsive to today's beneficiaries.

The Social Security Board of Trustees reported in April of 1992 that the Social Security Disability Insurance trust fund is moving rapidly toward bankruptcy. The first section of this paper examines various factors that have contributed to the fund's insolvency, among them poor economic performance and decline in termination rates (these are not unrelated as will be shown.) Reallocation of the tax rates is discussed as a short-term solution to the immediate financing problem.

Counter-productive budget freezes and cuts have been imposed on all the administrative operations of the Social Security Administration since 1985. The second section of this paper discusses the impact of counting Social Security administrative dollars as on-budget, and the effects of cutting staff and limiting Continuing Disability Reviews (CDRs). Among the options proposed to bring about short-term improvements are: removing Old age, Survivors and Disability Insurnace (OASDI) administrative dollars from the budget ceiling and conducting more, and more efficient, CDRs.

The third section of the paper takes the long view. It explores three areas where the SSDI program could be improved and/or broadened to be more responsive to people with disabilities: access to health care; benefits for people with disabilities who work; and the disability claims process. Each issue is discussed in terms of current law, then long-term options for improvement are suggested. Among the suggestions: indexing Substantial Gainful Activity to make it a more accurate measure of work; and eliminating the 24-month Medicare waiting period for individuals who return to work during that period.

The paper concludes with a series of questions that challenge the reader to consider the costs of making significant changes to the SSDI program and then consider the opposite--whether the cost of doing nothing is, in the end, the greatest cost of all.

Changing Social Security Disability Insurance

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CHANGING SOCIAL SECURITY DISABILITY INSURANCE

"The members who believe that immediate provisions should be made to provide protection for [workers with disabilities] recognize that a system of benefits such as they recommend may increase the total eventual benefit costs beyond the estimated ultimate costs of the benefits provided in present law." (Final Report of the Advisory Council on Social Security, December 1938.)

"The risks of disability can be made budgetable expenses for workers just as the risks of old age and death have been through the old age and survivors insurance program. This social insurance method is applicable to this problem [disability], and should be adopted." (Congressman Zablocki in the Congressional Record, July 18, 1955.)

"Opposition to disability benefits is centered around several main arguments. First of all we have the argument that any program of disability benefits...is administratively unfeasible and impractical." "Another set of arguments is centered around the charge that any program of benefits to the permanently and totally disabled would lead to malingering and idleness; that it would encourage people to become disabled and stay that way." (Senator Lehman in the Congressional Record, July 1956.)

"...lack of disability insurance and medical care insurance represent the most serious gaps in our social security program. The Board believes it both feasible and necessary to fill these gaps now." (Annual Report of the Federal Security Agency, Social Security Board, 1945.)

INTRODUCTION

Since Congress and policymakers began debating the provision of social insurance benefits for people with disabilities, there have been three recurring concerns: cost of the program, its administration, and who should be able to participate. Today, Social Security Disability Insurance (SSDI) is facing bankruptcy, growing administrative problems that are accompanied by growing case backlogs, and a challenge to adjust and change as scientific discoveries and civil rights legislation alter the American understanding of people with disabilities.

The Social Security Board of Trustees reported in April of 1992 that the SSDI trust fund is rapidly moving toward bankruptcy. The first section of this paper will focus on why the trust fund is becoming insolvent and what can be done about the projected insolvency in the short-term.

The second section of the paper directs its attention to cuts in the Social Security Administration's (SSA) budget over the last 12 years and how these cuts have affected administration of the SSDI program and its delivery of services. Short-term administrative improvements and how to pay for them are also discussed.

Ensuring a viable SSDI program for the future is the subject of the paper's final section. Issues of current law and long-term options for an improved program are presented.

SHORT-TERM SOLVENCY OF THE DI TRUST FUND

WHY THE TRUST FUND DOES NOT MEET THE ACTUARIES' TEST FOR SHORT-RANGE FINANCIAL ADEQUACY

Both the 1991 and 1992 Old-Age, Survivors, and Disability Insurance (OASDI) Trustees' Reports show that the Disability Insurance (DI) trust fund does not meet the test of short-range financial adequacy.[1] The 1992 Alternative II estimates[2], however, are notably worse than the estimates in the 1991 report.[3] In her testimony before the Senate Finance Subcommittee on Social Security and Family Policy, Social Security Commissioner Gwendolyn King gave three reasons why this deterioration has occurred: 1) poor economic performance in 1991; 2) the rapid increase in disability benefit awards in 1991; and 3) the continued decline in the benefit termination rate (King, 1992). According to King, these factors required altering the assumptions about future incidence and benefit termination rates, and negatively influenced the projections. These reasons, in addition to a discussion of administrative factors are presented, along with a short-term solution for DI, in the following section.

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[1]The test was adopted in the 1991 Trustees' Report. It requires that the trust fund ratio, which represents the projected assets at the beginning of the year as a percentage of expenditures during the year, be either 1) equal to or greater than 100 percent for each year over the ten year projection period, or 2) if the fund ratio is below 100 percent, that it reach 100 percent within five years and stay at or above 100 percent for the next five years.

[2]Alternative II assumptions are the intermediate assumptions thought to represent the most likely scenario.

[3]Under all three sets of assumptions, the <u>combined</u> Old Age, Survivors and Disability Insurance trust funds are adequately financed. According to the SSA actuaries, the assets of the combined funds will exceed one year's expenditures at the beginning of 1993 and will remain at that level through the turn of the century.

Poor Economic Performance
The 1991 Trustees' Report's alternative II assumptions estimated that Federal Insurance Contributions Act (FICA) taxes would bring $32.7 billion into the DI trust funds in 1992. The 1992 report estimated the amount to be considerably less--$31.1 billion. The decrease is due to higher than expected unemployment and slower than expected wage growth. According to the SSA actuaries, this effect accounts for just over one-fifth of the change between 1991 and 1992 in the short-range financial projections for the DI trust funds.

Increase in Disability Incidence Rates
In 1990, the number of new disability benefit awards for 1991 was projected to be 4.2 per thousand insured workers; it was actually 4.6 per thousand.[4] This increase, according to SSA actuaries, is responsible for just under two-fifths of the change in the DI short-range projections.

The higher number of awards is partially a result of unemployment rates caused by a poor economy and partially a result of changes in interpretation of program criteria. Administrative Law Judges (ALJs) are currently allowing benefits in almost 66 percent of the cases they consider; in 1985 the rate was 51.2 percent. The General Accounting Office (GAO) reports that over 15 percent of the new beneficiaries in 1990 came onto the SSDI and SSI-DI[5] programs from the appeals process (GAO, 1992).

As a result of two recent class action cases in New York, it is estimated that SSA will be required to reopen 300,000 to 400,000 SSDI and SSI-DI cases that were denied between 1976 and 1983. In Dixon vs. Sullivan and Stieberger vs. Sullivan, a United States District Court found illegal the denial of benefits to certain classes of individuals with disabilities. While these cases apply only in New York, the assumption is they will set a nationwide pattern for SSDI and SSI-DI decisions.[6]

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[4]The 1992 Trustees' Report shows 1989-1991 incidence rates that are 50 percent higher than rates in 1982 and 25 percent higher than the rates between 1986-1988. The intermediate assumptions indicate a 10 percent increase over the next ten years.

[5]SSA administers two disability programs: Social Security Disability Insurance and Supplemental Security Income (SSI). SSI pays benefits to those who are aged, blind, and disabled who have very low income and assets. SSI is financed through the general revenues not FICA taxes.

[6]The Disability Determination Services (DDSs) are state agencies responsible for determining, in accordance with the Health and Human Services regulations, which applicants should be awarded benefits and which should be referred for rehabilitation. The Dixon and Stieberger cases add pressure to the DDSs that are already strained by the 1990 Supreme Court decision, Sullivan vs. Zebley. In that case, the Court held that SSA's former rules for determining childhood disability in SSI-DI cases were not consistent with the statutory definition of disability and required the agency to find and re-evaluate these cases (retroactive

Decline in Termination Rates
Since the mid-1980s the percentage of DI beneficiaries whose benefits are stopped because of medical recovery, return to work, or death, or who have their benefits converted to retirement benefits because they reached age 65, has been relatively low. Differences in the size of various birth cohorts partially accounts for this phenomenon. The cohort born between 1920 and 1925 comprises relatively few people; thus, the number of conversions to retirement benefits from disability benefits in the years 1985-1990 was relatively small. In contrast, the baby boom is a large cohort, and the first baby boomers are reaching the age at which many people apply for disability benefits. The sheer size of this group has contributed to a general lowering of the average age of DI beneficiaries.[7]

Liberalization in Continuing Disability Reviews (CDR) for beneficiaries with mental disabilities is another reason for decline in the termination rates.[8] Recent GAO testimony went further to say that, "...the virtual cessation" of CDRs for all kinds of beneficiaries," has also been responsible for lower termination rates in general (GAO, 1992). The GAO observed that barring an increase in the termination rates, the average beneficiary's time on the rolls will increase, and the total number of beneficiaries will be correspondingly higher. SSA actuaries report that the actual termination rates for 1991, combined with the revised assumptions for the future, account for slightly more than two-fifths of the change in the short-range outlook.

Growth of Administrative Problems
In addition to the causes of SSDI's financial problems already outlined, SSA is experiencing administrative problems that compound all the others. The GAO

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to 1980) under the new rules. As of January 1992, SSA had received 200,000 responses to its 452,000 notification letters.

[7]Beginning in 1986 there were more DI awards to people with mental impairments. These beneficiaries tend to be younger and healthier and stay on the rolls longer.

[8]The CDR process, established in the 1980 Social Security Amendments (PL 96-265), forced 495,000 persons off the disability rolls (many of whom had mental disabilities) because of what was often termed, "overly vigorous interpretations of medical improvement." The Social Security Benefits Reform Act of 1984 (PL 98-460) was enacted to clarify the review standards set in 1980. It allowed all those who had received unfavorable initial or continuing disability decisions after March 1981 to reapply for benefits within 12 months of the law's enactment. (As a result, 214,000 were restored to beneficiary status.) It also put a moratorium on mental impairment reviews until the criteria could be revised to "realistically evaluate the person's ability to engage in substantial gainful activity." The amendments also required that where there is evidence of mental impairment, there must be a reasonable effort made to ensure that a psychologist or psychiatrist complete the medical portion of each case reviewed, including the residual functional capacity, before determining the individual is not disabled. (These special reviews are not required for cases of physical impairments alone.)

provided the Senate Finance Committee with a list that included "...inordinate delays in processing initial disability applications, indications of deteriorating quality of disability determinations...and because of increasing DDS workloads, too few CDRs are being conducted" (GAO, 1992).

REALLOCATION OF THE TAX RATES–A SHORT-TERM SOLUTION

The immediate problem of inadequate DI trust fund levels can be solved for the short-term by increasing the portion of the FICA tax rate that is allocated to DI.[9]
Analysis from SSA indicates that, under the intermediate assumptions, approximately $78 billion in additional income would be needed over the next 10 years to return the DI trust fund to, and maintain the reserves at, a level of 100 percent of annual expenditures.
The 1983 amendments to the Social Security Act reallocated part of the DI tax rate to OASI.[10] A restoration of part of that reallocation is currently scheduled for the year 2000. It would increase the DI rate from 0.6 to 0.71 and decrease the OASI rate from 5.6 to 5.49. If the reallocation date were moved to 1993, and the rate designated for DI increased to 0.80, the DI trust fund revenues would increase, over the next ten years, to an estimated $104.5 billion (King, 1992).

Increasing the DI rate further to 0.85 or 0.86 and reducing the OASI rate accordingly is recommended by former SSA Commissioner Robert Ball. These rates, he said, would fund both programs, under the intermediate assumptions, until the mid-2030s and would require no change in benefits or taxes.

In testimony before the Senate Finance Subcommittee on Social Security and Family Policy, Ball spoke of the complexity of the current problem in disability financing, but noted that, "...the simplest way to provide for additional financing is a relatively minor reallocation of the contribution rate from OASI to DI... (Ball, 1992.")

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[9]Today, out of the worker's 7.65 percent FICA, 1.45 percent is allotted to Health Insurance (HI), 5.6 percent to Old Age and Survivors (OASI), and 0.6 to Disability Insurance (DI).

[10]The 1983 Amendments included a provision that shifted 0.5 percent of the 1.1 percent contribution rate required by the 1977 Amendments from DI to OASI. It was recognized at that time that the DI rate would have to be increased later on, i.e. by the year 2000.

BUDGET CUTS AND CONSEQUENCES FOR SSA

ADMINISTRATIVE PROBLEMS FOR THE CURRENT SYSTEM

Serious and often counter-productive budget cuts have been imposed on Social Security's administrative operations since 1985. Several have been particularly damaging to the disability portion of the program. The effects of staff reductions, SSA dollars remaining in the unified budget, and the limitation of CDRs, along with two short-term options for improvement, will be discussed in the following section.

SSA Staff Reduced

SSA began a five-year program in 1985 to reduce its staff by 17,000 positions. This saved approximately $1.9 billion through 1991, and there is a continuing annual saving of $600 million. Unfortunately, even though SSA invested in computer modernization, field office restructuring, and procedural improvements to reduce adverse effects on the agency's service to the public, the loss of staff had a serious negative impact.

At the same time that the Disability Determination Service (DDS) staff was being reduced from 13,302 in 1986 to 11,168 in 1990, application rates were rising, and cases pending per full-time examiner were increasing from 121.7 in 1986 to 136.0 in 1990 (National Council of Disability Determination Directors, 1991). Since then, the problems have grown exponentially. The time needed to process claims in 1989 was, on average, 64 days. By April of 1992, it had grown to 91 days. SSA projects the wait will increase to 152 days by the end of 1992 and reach 213 days in FY 1993.[11]

SSA Administrative Dollars Counted in the Unified Budget

The Budget Enforcement Act, enacted in 1990, removed the Social Security trust funds from the federal unified budget. This action prevents the growing trust fund reserves from masking the size of the deficit and protects Social Security benefits from cuts designed to increase the level of the trust fund reserves or benefit increases that would decrease the level of the reserves.

The law, however, was interpreted by the Office of Management and Budget (OMB) as placing only benefit payments off-budget and not the administrative costs of the program. As a result, even though the combined Old-Age, Survivors and Disability Insurance trust fund reserves continue to grow, and administrative expenditures

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[11]The GAO, in testimony before the Senate Committee on Finance, Subcommittee on Social Security and Family Policy, in April of 1992, noted that the average for claims processing times often did not fully reflect individual experiences. In California, for example, claimants are already waiting over 135 days to receive an initial determination.

account for only one percent of the program's annual outlays, Congress cannot increase the level of SSA's administrative spending. Under current budget rules, if SSA were to receive an increased amount for administration of its own program, budgets for other domestic programs would have to be cut to meet the overall spending cap. Thus, the agency's ability to serve its constituents is significantly diminished.[12]

At the same time SSA's administrative budget is held hostage by OMB, the need for administrative dollars to stabilize a shaky disability system increases. The House Ways and Means Committee in 1991 gave SSA an "F" for the delivery of disability benefits. Despite successfully processing more disability cases with fewer staff,[13] the pending backlog of initial cases in 1991 was 600,000--an all time high. Today, that backlog is over 1.4 million cases.

The GAO estimated in April of 1992 that, "[A]ssuming no change in the resources required to complete each action, perhaps as much as half a billion dollars would be required to 1) handle projected new applications and stop backlogs from increasing in 1993, 2) reduce the fiscal year 1993 starting backlog to an acceptable level, and 3) process overdue Continuing Disability Reviews (GAO, 1992).

Continuing Disability Reviews Severely Limited

In SSA's efforts to meet the needs of new applicants within the constraints of fewer staff and decreased budgets, Continuing Disability Reviews (CDRs) have been severely limited. CDRs were designed and implemented in 1980 to review and determine periodically whether DI beneficiaries remain disabled within the definition of the law. As the SSA Commissioner testified in May of 1991: "Clearly the record is established that continuing disability reviews save money....We estimate that for every 100 CDRs we conduct, six result in finding that person is no longer eligible to continue to receive disability payments....We estimate that for every 10,000 cases that we could save $9 million for the trust fund" (King, 1991).

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[12]The GAO in its report on Social Security Disability: Growing Funding and Administrative Problems, reported that, in 1986 dollars, the DDSs' budgets fell from $756 million in 1986 to an estimated $673 million in 1992.

[13]Stan Kress, President of the National Council of Disability Determination Directors, testified about the increased productivity of the DDSs from 1988 to 1990, before the House Select Committee on Aging, Subcommittee on Retirement Income and Employment, May 1991. His data from the field show that in FY 1988 the DDSs received 2,116,000 initial, reconsideration, and Office of Hearings and Appeals cases. In 1990 the DDSs received 2,333,000 cases. During those same years the clearances went from 2,121,000 to 2,238,000 in spite of the staff and budget cuts.

The number of initial disability claims has increased dramatically over the last several years,[14] and because initial claims take precedence, the DDSs have been unable to process CDRs at anywhere near the level required. In April of 1992 the GAO reported estimates that over a million CDRs were backlogged and approximately six percent of those cases would receive a review in FY 1992 (GAO, 1992).

OPTIONS FOR SHORT-TERM ADMINISTRATIVE IMPROVEMENTS OF SSA

Remove OASDI Administrative Dollars from the Budget Ceiling

In spite of SSA's efforts to do more with less, without sufficient administrative funds the agency's ability to meet its day-to-day obligations to people with disabilities continues to deteriorate.

Secretary of Health and Human Services Louis Sullivan, in a December 1990 memo to OMB Director Richard Darman, described what would happen to SSDI in 1991 without additional dollars. "SSA will experience system-wide backlogs, which will be especially apparent in high visibility areas such as disability claims, where processing times will grow by one-third, and appeals will take a month longer to review." In the same memo, Sullivan projected an "...even more bleak" outlook for 1992.

Cecil Andrus, Governor of Idaho, wrote in 1992 to Sullivan, Darman and all the governors that lack of funding, "...will result in irreparable harm to this program's ability to deliver responsive service." And the governors replied. "I agree that disabled citizens deserve better service than they are receiving and that we should demand adequate funding..." (Dean, Vermont); "...lack of adequate resources has been a problem in qualifying eligible citizens..." (Symington, Arizona); "Federal funding has lagged farther and farther behind the need and demand for assistance, leaving growing numbers of people with disabilities without the support they should be receiving..." (Richards, Texas) (NCDDD, 1992).

In fact, Social Security has enough money to administer its DI program properly. Both benefit payments and administrative dollars come from the same earmarked taxes, and both benefit dollars and administrative dollars should be removed from the unified budget. Making administrative dollars more available will not solve all SSA's problems; however, it would allow the agency to begin to deal with its administrative problems and help to restore timely and accurate service. Then and only then can genuine steps be made toward long-term program improvement.

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[14]SSA data from April 1992 show that there were 1,489,534 initial determinations made in 1989 and by 1991, 1,815, 646 were completed.

Conduct More and More Efficient CDRs
Unless the backlog of CDRs is managed and new CDRs are conducted in a timely manner, the number of incorrect benefits will continue to grow and draw down the trust funds.

In May of 1992, the SSA actuaries estimated that if 200,000 additional CDRs could be conducted in FY 1993 above the levels projected in the President's 1993 budget, "the cumulative reduction in benefits resulting from the proposal would offset the increased administrative expenses by the end of FY 1995. Beyond that point, only savings would result."[15]

Over the long term, the actuaries estimate the average lifetime value of a terminated "medical improvement expected" (MIE) case[16] would be roughly $85,000 [17] and a terminated "medical improvement possible" (MIP) case roughly $73,000. For 100,000 MIE reviews, benefits are estimated to be reduced by about $510 million over the lifetime of the cohort. Subtracting the additional $110 million in administrative expenses, it is estimated the OASDHI savings would average $4.60 for each $1.00 spent on reviews of MIEs and $2.30 for each dollar spent on reviews of MIPs. Unlike the previous recommendations, increasing the number of CDRs does require an up-front investment--an investment of dollars currently unavailable to SSA.

LONG-TERM OPTIONS FOR AN IMPROVED PROGRAM

The Americans with Disabilities Act of 1990,[18] by establishing the right of people with disabilities to equal opportunity, encourages their independence. Regrettably, SSDI, by focusing almost exclusively on an individual's inability to work, discourages the focus on independence and those hard-won rights.

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[15]Memorandum from SSA Office of the Actuary dated May 5, 1992.

[16]The frequency of CDRs depends on the type of case. Those cases termed "medical improvement expected" (MIE) are identified at the initial determination, and are generally scheduled for review within 18 months. Cases termed "medical improvement possible" (MIP) in which a disability is not permanent are scheduled to be reviewed every three years. Cases expected to be permanent are scheduled for review every five to seven years. CDRs, like initial determinations, proceed through a specific sequential process designated by law.

[17]According to the President of the National Council of Disability Determination Directors, as of April 1992, 40 percent of the backlogged CDRs are MIE cases.

[18]The Americans with Disabilities Act, Public Law 101-336 was signed by President Bush on July 26, 1990.

Numerous plans for improving the SSDI program and broadening its scope have been proposed. Those most often discussed would extend health benefits to a larger population or allow beneficiaries who are working and earning to receive some level of SSDI benefits. Some would provide incentives for workers and quotas for employers using the tax system for rewards and/or penalties. Others would focus only on making the current system more efficient. Each of these proposals requires an increased level of investment in the program, and several require rethinking what SSDI is meant to do.[19]

Three long-term issues are discussed in the following pages: 1) access to health care; 2) benefits for people with disabilities who work; and, 3) the disability determination process. Each issue is examined from two perspectives: 1) What is current law? 2) What are the potential options for change?

ACCESS TO HEALTH CARE

SSDI beneficiaries often cite fear of losing medical coverage as the primary reason for not attempting work (International Center for the Disabled, 1987). In response, numerous designs for expanding health coverage have been proposed to broaden opportunities for SSDI beneficiaries who want to work. There are, however, two concerns with the majority of plans. Of primary concern is the cost of expanding benefits for current beneficiaries and the expense of providing benefits to new beneficiaries who were encouraged to apply because of the expansion.[20] The second concern is public perception. Will expanded benefits for some create doubts about equity across beneficiary groups and reduce public confidence in and approval of the system?

The next section will briefly describe current law and follow with two health care options that could expand opportunities for people with disabilities.

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[19] Current law states that SSDI is to provide benefits to replace income lost due to the disability of the worker.

[20] Carolyn Weaver in an article for the Winter 1992 issue of The Public Interest entitled, "Reassessing Federal Disability Insurance," comments that a proposal that counts only expansion of benefits to current beneficiaries, "...deals with only half of the work incentive issue, ignoring entirely the incentives created for people who still work. Keeping...those with more or less severe impairments, who are nevertheless working, on the job is essential to controlling the cost of DI."

Current Law for Provision of Health Care
Today's Medicare does not cover SSDI beneficiaries until they have been on the SSDI rolls for 24 months. Then, as long as they remain in beneficiary status, they are eligible for Medicare.[21] The law also allows certain people with disabilities who have returned to work to buy Medicare coverage after their premium-free[22] Medicare ends because of work and earnings.[23] [24]

Two Options for Expanding Health Care to Improve the Status-Quo
Two expansions of health care that would broaden options for people with disabilities are: 1) to provide Medicare coverage for all working people who meet the SSA medical definition of disability and 2) to eliminate the 24 month Medicare waiting period for individuals who return to work during that period.[25]

Either or both of these expansions would be a step toward removing a work disincentive for beneficiaries with disabilities. However, an indefinite extension of Medicare benefits for SSDI beneficiaries who work would cost an estimated $700 million over the first 5 years, according to the Administrator of the Health Care Financing Administration (HCFA). The price of eliminating the 24 month waiting period for those who return to work would also be $700 million over five years. A

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[21]This includes various work incentive programs that allow an individual to try work while continuing in beneficiary status.

[22]SSDI beneficiaries can receive at least 39 months of Medicare after the trial work period (see page 19 of the full text).

[23]Anyone who is not yet aged 65, has a disabling impairment and whose Medicare has stopped due to work is eligible to apply to purchase continued Medicare. Both Parts A and B can be purchased at the same monthly cost that uninsured eligible retired beneficiaries pay. Hospital Insurance (HI) can be purchased alone, but Supplemental Medical Insurance (SMI) can only be purchased with HI. This provision requires states to pay all or part of Part A premiums for individuals with income below 200% of poverty based on a sliding scale.

[24]Even if Medicare is available for purchase, it may be prohibitively expensive for some workers. In 1992, a full-time minimum wage worker earned $8,700 annually. Twelve months of Hospital Insurance (HI) cost $2,304 and 12 months of Supplemental Medical Insurance (SMI) cost $381.60. Together HI and SMI comprise over 30 percent of this individual's gross income.

[25]These proposals were formally considered at the meetings of the Social Security Disability Advisory Council of 1986-87 (DAC).

combination of the two benefits was estimated to reach $2.3 billion over the first 5 years (the Disability Advisory Council, 1987).[26]

Aside from cost, these proposals also raise questions of equity among SSDI beneficiaries. Removing the waiting period for Medicare for those who work discriminates against those who remain out of the labor force because they are unable to work. Complete elimination of the 24-month waiting period for Medicare or reduction of the waiting period to 12 months could prevent or reduce concerns about discrimination. The issue again becomes cost. According to former Representative Steve Bartlett, "To remove the two-year limitation on access to Medicare after becoming disabled would be a very costly item . . . "That is a much larger expenditure than I think Congress is prepared to grapple with" (Bartlett, 1990).

Of further concern is the intent of the law. SSDI was designed to pay benefits only to those with disabilities so severe they are unable to work. The long waiting periods were established to avoid creating incentives to apply for benefits and to provide time for temporary disabilities to improve.

BENEFITS FOR PEOPLE WITH DISABILITIES WHO WORK

Data show that while many SSDI beneficiaries say they want to work, only one-half of one percent ever leave the beneficiary rolls because they have returned to work and earned more than the Substantial Gainful Activity (SGA) amount for the specified period.[27]

The following describes five pertinent sections of current law regarding benefits and work: 1) trying work; 2) measuring work; 3)counting earnings; 4) taxing the working poor; and, 5) hiring people with disabilities. After each discussion of current law, an option for expansion or change is presented.

1) Current Law for Trying Work. Several work incentives are provided in current law for beneficiaries who wish to try to return to the work force. The trial work period (TWP) allows people receiving SSDI to work for at least nine months (not necessarily consecutive) and continue to receive full disability benefits no matter how much they

[26]The estimates were based on SSA actuarial assumptions that an additional 50,000 individuals with severe disabilities who were already working would leave the workforce and become eligible for a lifetime of benefits.

[27]SGA is currently set at $500 per month.

earn.[28] After nine months, SSA reviews the work and determines whether SGA has taken place. If so, cash benefits continue for three more months; then benefits stop. At this time the individual begins the extended period of eligibility (EPE).

The EPE is a consecutive 36-month period during which cash benefits will be reinstated for any month the individual does not work at SGA level. Benefits can begin again without reapplication, determination, or waiting period (either for cash benefits or Medicare coverage).

The Social Security Administration is experimenting with further incentives. Several demonstration projects are being conducted that provide rehabilitation and job placement services to those who apply for and/or receive SSDI and/or SSI-DI benefits. Through "Project NetWork," SSA is making an effort to take responsibility for providing support and referral services to those who want to attempt work. The agency will also apply a "rigorous evaluation process" to the various demonstrations over the next several years.

The SSA demonstrations are an important effort. However, they operate strictly within the guidelines of current law insofar as they maintain the standard requirements for the length of trial work periods, extended periods of eligibility, and access to Medicare. And, one of the most frequently voiced criticisms of SSA's work incentives is that they do not fully acknowledge the person with a disability's need for flexibility.[29]

Option: Creating a Flexible Program to Improve Opportunities for Work. SSA data show that the Supplemental Security Income (SSI) work incentives provided under Section 1619[30] increase the number of SSI-DI recipients who try and succeed at work.

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[28]Each month in which earnings are more than $200 is counted as a month of trial work. Because the amount is so low, there can be inadvertent use of a trial work month. For example, a young person may be in school and do some part-time or summer work. If the job pays more than $200, the student has lost one trial work month and still has not been in the full-time workforce.

[29]The Omnibus Reconciliation Act (OBRA) of 1990 improved the flexibility of one work incentive by provided a rolling 60-month TWP for SSDI beneficiaries effective January 1992. A person who has not yet completed the nine-month TWP would exhaust the period only if the nine trial work months were completed within a rolling 60-month period. This takes into account the uneven nature of work attempts and the cyclic nature of some disabilities.

[30]SSI Section 1619 allows an SSI recipient with a disability to work at or above SGA and still receive cash and/or medicaid benefits. Should the recipient find work impossible, the long application process does not have to be repeated.

A flexible work-related program based on a spend-down similar to the Section 1619 provisions might be designed for SSDI beneficiaries.

SSDI benefits could be reduced gradually as an individual increased work and earnings,
without putting his beneficiary status in jeopardy. Off-set amounts could be established, for example, at $1 for every $2 earned above SGA or at amounts that change at specified levels of earnings until a "break-even" point is reached.[31] Medicare coverage could be extended either to all or on a sliding scale to "working disabled" who have passed the "break-even" point.

Opposition to a spend-down and accompanying extension of Medicare is often based on the assertion that taking part of a means-tested program, such as SSI's Section 1619, and superimposing it on an income-related program, such as SSDI, that is funded through earmarked taxes, confuses two programs with distinctively different bases. Social Security benefits were designed, in theory, to replace income lost due to the death, disability, or retirement of the worker. Some believe that providing a benefit for an individual who has met the requirements for SSDI, but returns to work and earns SGA, alters the essence of the program.[32]

Provision of sliding-scale premiums or premium-free Medicare in addition to a spend-down would likely create inequities by providing benefits for some but not others with similar disabilities. It can be argued that those people with severe disabilities who are already working are being discriminated against.

A means test to determine the level of payment for Medicare raises questions about the earned nature of Social Security. A provision without some means testing would allow a worker to receive both a very reasonable income and at least some Medicare coverage.

In addition to concerns about what the program was designed to do, a 1619-like proposal to pay extended benefits to people with disabilities who work, even with an offset, would have significant cost. As early as 1987, then Deputy Commissioner of

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[31]The Office of Special Education and Rehabilitation Services of the Department of Education (OSER) developed an off-set plan for SSDI. Problems with the specific provisions of the OSER's plan are the same as the objections to any spend-down for SSDI.

[32]Comparisons are often made to the Qualified Medicare Beneficiary (QMB) program that provides beneficiaries who are poor with Medicaid coverage for Medicare premiums, deductibles, and copayments. The difference is that the QMB payments are made from Medicaid (the means-tested program), not from Medicare dollars.

Social Security Lou Enoff cited an estimated cost to the cash benefit program of $2.5 billion over the first five years and 0.12 percent of taxable payroll over the 75 year projection period.[33] Enoff noted there would be further costs of $542 million for administering additional claims and implementing the quarterly earnings test procedures (Ballantyne, 1987).

2) Current Law for Measuring Work. If an individual is able to work and earn above a specified amount, he is said to be engaged in Substantial Gainful Activity (SGA).[34] The SGA amount provides a point of earnings below which an individual is considered so impaired that he cannot earn a living anywhere within the economy, and is thus entitled to receive benefits to replace part of his earnings.

Option: Indexing the SGA to Make It a More Accurate Measure of the Value of Work. Indexing the SGA amount based on some specific measure, perhaps wages, would ensure that individuals' work effort would effectively maintain their real value over time.[35] The level of SGA was raised to $500 in 1990, after ten years at $300. While this was an important increase, it was ad hoc, not tied to any particular index or measure. Given that the purpose of the SGA measure is to define whether an individual is able to earn a very modest amount through work, it is sensible that the level of SGA be adjusted annually to reflect what workers earn.

Those who work at SGA are earning well below both the minimum wage and the poverty threshold for those aged 15-64.[36] Yet, if they leave the rolls because of continued earnings above the SGA, it is unlikely they will easily replace lost SSDI benefits, particularly medical benefits, with earnings.[37]

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[33]These estimates were based on the OSER plan. The dollar number includes current beneficiaries and those it has been estimated will come onto rolls. Only the costs to the SSDI program are part of the $2.5 billion. This calculation excludes the cost of Medicare.

[34]Prior to 1990, SGA was $300 per month for all SSDI beneficiaries except the blind, whose SGA in 1993 is $850. SGA for the blind is increased annually based on the national average wage. Increases in SGA for all others are ad hoc.

[35]Freeze the $850 SGA for current blind beneficiaries until SGA for all others with disabilities catch up; then move them together. From this point on, all blind beneficiaries would be treated the same as all others with disabilities. Prior to the 1977 legislation, individuals who met the statutory definition of blindness were evaluated for SGA in the same way as those with other disabilities.

[36]The poverty threshold for those aged 15-64 in 1991 was $7,086; annual SGA was $6,000; and, the minimum wage was $8,700.

[37]An individual who works and earns $500 (SGA) and receives the average SSDI benefit (as of January 1991) of $609 would have an income of $13,308 plus Medicare.

When indexing the SGA was discussed at the Disability Advisory Council, two concerns were voiced: cost, and potential disincentive to those people with disabilities who are already working at low-income employment. Some felt the potential of an annual increase in SGA would compel low- and moderate-income individuals without medical coverage to leave the full time workforce and go on the disability rolls.

3) Current Law for Counting Earnings. People with disabilities who work may end the month with little or no money. Possibly, their earnings exceed SGA but they must pay for services and assistive devices to help them "accomplish" work. To remove some of the work disincentive for those facing this "Catch-22", SSA allows the items and services a person needs to do his work to be deducted from the calculation of his earnings for the purposes of determining SGA. However, services such as shopping and doing laundry are not considered work-related; neither are personal assistance services if they are not performed in the work setting or in assisting in preparation for work. An individual who wishes to work may receive support for a reader on the job, but not for personal tasks necessary during the day such as eating, toileting or catheterization, or taking medication or injections.

Option: Increasing the SGA Exclusions to Provide Further Work Incentives. Exclusion of all disability related expenses when determining SGA would provide a practical, more realistic incentive for those wanting to try work. To provide further incentives for people with disabilities, the whole array of personal assistance services could be excluded in the determination of SGA.

4) Current Law for Taxing the Working Poor. Based on the principle that a person working full-time should not be destitute, the working poor who have young children are eligible to receive the Earned Income Tax Credit (EITC). The EITC is a refundable tax credit administered by the IRS that refunds, in essence, a part of a low-income worker's payroll taxes in an individual's income tax return or pay check.

Option: Expanding EITCs To Include Working People With Disabilities. Low income people with disabilities who work are struck twice: first, by the loss of their Social Security benefits (most importantly, the health insurance benefit); and second by the fact that a significant portion of their income is taxed away by FICA. This combination makes it less and less attractive for a person with a disability to try to work or to remain working. By expanding EITCs to people with disabilities who work, a disincentive could become an incentive. For those who are already working in low-income jobs there would be an incentive to stay. For those who are considering getting into the workforce, the disincentives are reduced (although with an EITC alone, responsibility for medical care would still be up to the individual or his employer). It also avoids concerns about means testing SSDI because it is related to the income tax system and not Social Security.

Unfortunately, provision of this credit for a small group of working people with disabilities alone would be hard to justify. To cover people with disabilities under the EITC, fairness would require the inclusion of all low-income workers. CBO projects that in 1992 the cost of EITCs for low-income workers with young children will be $7 billion.

5) Current Law for Hiring People with Disabilities. The Americans with Disabilities Act contains specific language that protects people with disabilities from discrimination by employers. Whether or not a particular employer hires a specific number of workers with disabilities is not a concern, as such.

Option: Designing a National Hiring Policy to Broaden Opportunities for People with Disabilities. A policy that requires hiring people with disabilities based on the size and type of employer could be created as an integral part of a larger policy that focuses on providing opportunities to work (such as excluding all disability related expenses).

Austria, Germany, France, and Japan are among the foreign systems that use quotas as a part of their disability system to promote hiring people with disabilities.[38]

In Japan, ten percent of an employer's workforce must consist of people with disabilities. The Japanese generally comply with the requirement by creating "subsidiaries" that employ primarily people with disabilities. This system puts people with disabilities into the paid labor force, but, not necessarily into the working mainstream.

French employers are required to pay the equivalent of $10,000 (the highest penalty in Europe for non-compliance with a quota requirement) per slot designated for a person with a disability but filled by an able-bodied person. Until recently, French employers had written the checks and increased the rehabilitation and retraining fund into which the penalty money was directed. There seems, however, to have been some change in the attitude of employers who are looking more closely at the bottom line and reconsidering the economics of "just writing the check."

Austria and Germany both have a system of fines for employers who do not provide work opportunities for people with disabilities. But these fines are not the primary measure used to encourage workers with disabilities to return to the workforce. Both countries treat reintegration as part of the continuum of care from illness or injury to recovery. And there are strong linkages between the various participants along that

[38] In each of these countries, employers and employees know that when a disability occurs either on or off the job, an ill or injured individual will be provided with continuing health care through the national health care system.

continuum, i.e. disability programs, the labor unions, the rehabilitation facilities, and the health care system (Beedon and Zeitzer 1988).

The experience in other developed countries indicates that quotas alone are only marginally successful. However, as one part in a coordinated system that operates in a general atmosphere of assurance for both employer and employee, quotas seem to help.

THE DETERMINATION PROCESS

The combination of budget cuts and increases in claims has caused both the SSDI system and its beneficiaries to suffer. Backlogs in disability claims are already at crisis level. It is estimated that case processing times will reach 213 days in 1993. Sixty-six percent of the cases heard are being overturned by the ALJs, indicating a need for serious examination of the first two steps of the claims process.[39] Further, the funding allocated for administration of SSDI no longer supports the ever-growing needs of the system.

This section, covering how disability is determined, will first outline the evaluation process in current law. It will then describe a technical improvement that will aid the agency in making determinations more quickly and accurately.

Current Law for Determining Disability

A person with a disability may file for benefits at any Social Security office where he completes an application that covers his work history and medical condition. If he meets the non-disability requirements of the program, his application is sent to the Disability Determination Service (DDS) in his state. The application is put through a **sequential evaluation** to determine whether the individual is disabled under the law.

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[39]Incorrect decisions on the part of the DDSs are not the only reason for the high reversal rates. The Report of the Disability Advisory Council of 1988 listed additional reasons: the claimant's condition worsens between the initial determination and the ALJ; new evidence becomes available for the ALJ; the ALJ sees the claimant face-to-face; the claimant has an attorney representing him before the ALJ; the claimant brings witnesses before the ALJ; the ALJ can interpret SSA policy with greater latitude than the DDSs.

This evaluation has multiple steps that must be followed in sequence:[40]

1) Is the individual able to work and earn more than $500 a month ($850 for claimants who are blind)--this is called substantial gainful activity (SGA). If not, then

2) the Disability Determination Service examiner uses the medical evidence record, i.e. evidence put in the applicant's file at SSA to answer the question, "Does the claimant have a severe impairment?" If the evidence is incomplete or conflicting, the examiner may ask for further evidence and may require an independent physician to perform an examination or test. The applicant must have an impairment severe enough that it is expected to result in death or last (or have lasted) up to 12 months. If so, then

3) the DDS proceeds to determine, "Is the impairment so severe it meets or equals the requirements in the SSA Listing of Medical Impairments?" (These medical grounds are also based on the assumption that an individual cannot work given a particular impairment.) If the impairment does not meet the medical listings,

4) the DDS asks, "Does the applicant have the functional capacity to do past relevant work?" First, the DDS tries to determine what capacity to perform work-related activities remains--called residual functional capacity (RFC).

5) Finally, the DDS determines, "Can the claimant do any other kind of work that is available in the economy?" The applicant's age, education, and work experience is also considered at this point in the evaluation. If the claim is approved, benefits will start with the sixth full month of the disability.

If the individual is denied benefits at any step in the process, he has the right to appeal.[41]

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[40]The decision that a person is not disabled can be made without going through all five steps.

[41]The appeals process is outlined in Appendix A.

An Option for Improving the Accuracy and Speed of Determinations
A system to create and maintain a "dynamic profile"[42] that describes the characteristics of specific SSDI applicant groups could make the determination process more efficient and the decisions more accurate. Current data show that close to two-million disability claims are filed annually. Of these 60 percent, or 1,200,000, are denied after sequential evaluation. About one-third, or 400,000, of these ask for reconsideration, and about 15 percent, or 60,000, are allowed. Almost 80 percent (275,000) of those who are denied after the reconsideration process request a hearing before an Administrative Law Judge. The ALJs reverse about 60 percent of the cases they hear. Of the cases denied that request a review before an Appeals Council, approximately 38 percent are remanded to the ALJs for corrective action, and five percent are allowed (King, 1991). These numbers show two things: first, individuals are exercising their rights to appeal; and second, there are shortcomings in the determination process.

The development of evidence has been identified as a primary source of problems in the determination process by advocates and administrators alike. Decisions are made, then appealed and reversed, because critical information was missing. Most SSDI experts agree that a face-to-face interview for all applicants at the initial stage of the decision-making process would make a significant improvement; however, most budget analysts agree that the cost would be prohibitive.

A case-log generated profile that describes the characteristics of specific groups would be a partial solution. In the appeals process, data describing both the cases appealed after the initial evaluation and the cases reversed by the ALJs could be employed. A model could be constructed that distinguishes evidence from the cases that were appealed and reversed and evidence from cases not appealed and/or not reversed. The model would organize and catalogue the characteristics that separate the two groups.

Using the profiles as guidelines, accuracy and timeliness of case evaluations could be facilitated by identifying: cases that should be interviewed face-to-face at the initial level; categories of cases that need specific or specialized kinds of evidence (and define what that evidence is); disabling conditions that accompany other disabling conditions and thus require further evidence (heart disease and emphysema, for example); and, information generally not supplied until the case has reached the ALJ level.

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[42]For further discussion of how a dynamic profile is designed, see Appendix B.

Undoubtedly, a more efficient determination system is a more cost effective system. The costs of designing and implementing this specific system have not yet been determined.

FINAL CONSIDERATIONS

The recommendations to reallocate the tax rates, remove OASDI administrative dollars from the unified budget, expand the current CDR system, and implement a dynamic profile for the determination process would serve to make the system, as it exists currently, more efficient. And, it can be argued that the costs, over the long-term, would be nominal.[43]

In contrast, the long-term options to provide additional access to health care, continue benefits for disabled workers, change the definition of SGA, or provide work incentives through the income tax system, not only have a very high price tag, but also implicitly change the current Social Security definition of disability.

Herein lies the dilemma. Social Security is often described as dynamic--a system that responds to social and economic change. Yet, at a time when people are acutely aware of what they pay in income and FICA taxes, will they agree to devote more of their paychecks to an updated SSDI? Can an updated SSDI promote autonomy for the broad range of people with disabilities, and at the same time continue as the mainstay of income and medical coverage for those who are unable to participate in the paid labor force?

The costs are high, but in light of the problems facing SSDI, the cost of doing nothing may be the greatest cost of all.

[43]It has always been possible, though distasteful, to reduce the cost of SSDI by reducing either benefits or beneficiaries.

APPENDIX A

The Appeals Process

o The first of four levels of appeal is the reconsideration.
The claimant's application is evaluated a second time. The sequential evaluation is used, but by a different team of evaluators.

o If the claimant is denied benefits after reconsideration, he may appeal again. For the second level of appeal the claimant brings his case before an Administrative Law Judge (ALJ). This step is face-to-face. If the ALJ denies benefits, the claimant has one more level of appeal within Social Security.

o The claimant, after denial by an ALJ, may take his case to the third level of appeal for review--the Appeals Council.

o If the Appeals Council upholds the denial, the claimant may use the fourth level of appeal--the federal court system.

APPENDIX B

A Dynamic Profile

A dynamic profile can be produced by using a system that learns from its mistakes--an "expert system". It is accomplished in a two-stage process. The first develops an expert-system logic that replicates the denial of benefits after the initial sequential evaluation. It is basically a sequence of if-then questions and answers that lead to a conclusion i.e. benefits allowed or denied.

The second stage of the process utilizes the learning aspect of the expert system to describe the characteristics of applicants who appeal after the sequential evaluation, go through the reconsideration process and continue on to a reversal of the initial decision by an ALJ, The information from new cases can be added to the original logic based on the initial cases. The result is a new or modified if-then sequence of questions and answers.

By comparing the first and the second stage logic, it is possible to codify which questions should have been asked early in the claims process, and to identify the characteristics of claimants in cases that are most often reversed, for example age 55 and over, heart condition combined with emphysema.

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Ms. MASTEN. Thank you, Dr. Beedon.

M. Cindy Hounsell is a staff attorney and director of the Women's Pension Project at the Pension Rights Center, a Washington, D.C.-based nonprofit public interest group. The Women's Pension Project activities currently include the Women's Pension Advocacy Council; the Clearinghouse on Pensions and Divorce; and the Women's Pension Policy Consortium. The project targets inequities in the Nation's pension programs; provides policymakers with analysis of pension issues; and provides technical assistance to women's groups and retiree groups. Pension equity provisions in four Federal laws are directly traceable to project initiatives.

Ms. Hounsell will discuss legislative proposals to reform the pension system.

STATEMENT OF M. CINDY HOUNSELL, COORDINATOR, WOMEN'S PENSION ADVOCACY COUNCIL, PENSION RIGHTS CENTER, WASHINGTON, DC

Ms. HOUNSELL. Thank you. Basically what I'm going to be talking about today, since this is what I was asked to talk about, is the current legislation that has been introduced this year.

On behalf of the center I appreciate the opportunity to participate in this forum.

I would like to highlight some of the changes in the law in the past that have really helped women.

Private pension plans are governed by a law that is called ERISA, and like FICA, people are always calling the Pension Rights Center and asking, "Who is this ERISA and why has she done this to me?"

Over the past decade we've seen much in the way of pension reform through the enactment of laws that have strengthened ERISA and the tax code. Most of these reforms were specifically designed to increase the economic security of older women, and they were passed because several women's groups joined together as a coalition and really worked hard to get these reforms. A Government report—and anything I refer to, I actually have piled here, so anyone who is interested in coming up later and looking at the bills and the reports is welcome to do that—a Government Accounting Office report indicates that the accelerated vesting provision changing vesting from 10 years to 5 years has meant that 75 percent of women in pension plans will be vested, compared to about 50 percent before that change was made. The result is that a million women will gain an additional $980 in annual pension benefits. According to the study, the cost to employers was relatively small.

The Tax Reform Act of 1986 improved benefit equity between men and women by preventing plans from entirely eliminating a worker's pension benefit. You've heard a lot about integration today, but our favorite story about integration is the example of a woman who worked 10 years for a very large company, which usually offers the best types of plans, but when she left the company after 10 years and asked what her pension benefit was, she was told it was only $0.47. When asked if she wanted to provide for her husband through a survivor benefit, her benefit was reduced by half.

The reforms of the Retirement Equity Act of 1984 require that private pension plans pay survivor benefits to widows and widowers, unless a spouse gives up this protection in writing. The Government Accounting Office report also shows that survivor benefit coverage has increased since the law took effect, and that the percentage of retired married men providing survivor benefit for their wives increased by 15 percent.

Other important provisions were included in the 1982 tax act and the 1986 budget law. These were aimed at providing equity for women working in small offices of doctors and lawyers and similar offices, and new protections for women entering the workforce at older ages.

Today, we are fortunate to have legislation that would provide many significant economic reforms for women.

The Pension Reform Act was introduced by Representative Kennelly, and it has four major reform areas that would really help women: coverage, vesting, integration, and divorce. These provisions would close up several of the remaining loopholes in the law.

Coverage: first of all, we are not talking about access for the more than 50 percent of the American population which does not have a pension plan. These provisions are for people who work for companies that offer pension coverage. For example, many women work for employers who sponsor pension plans, but they are not included in the plans. Even after the reforms, employers are still able to exclude up to 30 percent of the workforce for any reason. Employees can be excluded by category, such as bookkeepers or receptionists, or even by name. Employers can exclude an even larger percentage of their employees as long as they include enough other workers of different salary levels. The coverage provision in the Pension Reform Act would require plans to include all employees who have worked more than a year and are over age 21, except that separate plans would be permitted for separate lines of business.

The Tax Reform Act of 1986, as I mentioned before, really helped women when it required 5-year vesting for "single employer" plans. However, the 5-year rule does not apply to union-negotiated plans, such as those in construction and the retail food industry. There is a provision in the Pension Reform Act that would change 10-year vesting to 5-year vesting for multiemployer plans. The Labor Department has estimated that this change would result in benefits for an additional 1.1 million workers.

Integration has always hit women workers the hardest because women tend to dominate the lower-paid positions. The Pension Reform Act calls for three changes to the present practice of integration.

The first change would make the new integration rules applicable to all benefits accumulated before December 31.

The second would end integration in simplified employee pensions.

Finally, the bill would call for the elimination of the practice of integration altogether effective for plan years beginning on or after 2002.

Divorce—the Retirement Equity Act made an important start in helping divorced women get a share of their former spouses pension plan. However, many women continue to lose out because they must both ask for a share of the pension at the time of divorce, and get a very specific type of court order before a plan will pay out benefits. Unfortunately most women don't know about this, and most attorneys are not up on the requirements. It's a very difficult area. Many women find out after it's too late. The Pension Reform Act has a provision in the bill that would require plans to pay former spouses a pension share and survivor benefits, unless the court order would provide otherwise. This provision is going to be very controversial since the States usually have jurisdiction over divorce law.

Representative Schroeder has introduced the Part-Time and Temporary Worker Protection Act. This H.R. 2188 bill would also be very helpful because it would provide pension benefits for all employees working 500 hours or more per year. The current law permits employers to deny coverage to part-time workers who work less than half-time. This results in a great many women being left out of their companies' pension plans. It's a very significant provision because women make up almost two-thirds of the contingent workforce.

The Pension Portability Act of 1993, H.R. 1874 addresses the problem that the average woman only stays on the job 3.8 years, and the Pension Portability Act would require 3-year vesting. This provision would be very helpful for women. It also recognizes that even if a worker becomes vested and you leave the job early in your career, that benefit will become almost worthless, so the bill has made a provision where you could take your pension money and transfer it into an IRA fund. Right now, if you leave your job and even if you do have a vested benefit, there's almost nothing you can do with it. So at least it could all be put in the same account and continue to grow and earn interest.

Finally I would like to just tell you a little bit about the Pension Rights Center, the Older Womens League, and the National Senior Citizens Law Center. They have joined together to form something called the Women's Pension Policy Consortium. Our initial money was given to us to form this organization by the American Association of Retired People, and we would like to thank them.

I also have two other studies here that you might be interested in that AARP also funded. One is about the status of divorced women and the other is pension reforms.

I guess that's about it. [Applause.]

[The prepared statement of Ms. Hounsell follows:]

STATEMENT OF

M. CINDY HOUNSELL, DIRECTOR
WOMEN'S PENSION PROJECT
PENSION RIGHTS CENTER

TO THE

NATIONAL ELDERCARE INSTITUTE ON OLDER WOMEN

"CHALLENGES IN AN AGING SOCIETY: CONFERENCE ON OLDER WOMEN"

IMPROVING INCOME SECURITY FOR OLDER WOMEN IN RETIREMENT CURRENT ISSUES & LEGISLATIVE REFORM PROPOSALS: PRIVATE PENSIONS

Good afternoon. I am Cindy Hounsell, Director of the Women's Pension Project of the Pension Rights Center. The Center is a nonprofit organization that has been working for the past seventeen years to make the nation's pension programs fairer and more responsive to the needs of workers, retirees and their families.

On behalf of the Center, I appreciate the opportunity to participate in the National Eldercare Institute Conference on Older Women to discuss current legislative proposals to reform the private pension system.

Recent Pension Reforms

Private pension plans are governed by provisions of the Employee Retirement Income Security Act of 1974 (ERISA) and the Internal Revenue Code. Over the past decade, we have seen much in the way of pension reform through the enactment of laws that strengthen ERISA and the tax code. Most of these reforms were specifically designed to increase the economic security of older women and were passed because of the efforts of women's and retiree groups.

A report by the General Accounting Office (GAO), analyzing the effect of these reforms indicates for example, that the accelerated vesting provision in The Tax Reform Act of 1986, (TRA) reducing from ten years to five years the time that employees must work in order to be legally entitled to a pension, has meant that 75 percent of women in pension plans will be vested compared to about 50 percent before the change.

The result is that a million women will gain, on average, an additional $980 in annual vested pension benefits, and according to the study, the cost for employers was relatively small.

The Tax Reform Act also improved benefit equity between men and women by prohibiting plans from entirely eliminating a worker's pension benefit by "integrating" it with social security and increasing the percentage of workers that employers must include in their plans.

The reforms of the Retirement Equity Act of 1984 (REA) require that private pension plans pay survivors benefits to widows (and widowers), unless a spouse gives up this protection in writing. The GAO analysis shows that survivor benefit coverage has increased since the law took effect and that the percentage of retired married men providing survivors protection for their wives increased by 15 percent, from 65 percent in 1985 to 80 percent in 1988-89. The REA also made it possible for pension plans to pay benefits directly to divorced spouses.

Other important provisions were included in the 1982 tax act and the 1986 budget law. These were aimed at providing equity for women working in small doctors and lawyers and similar offices and new protections for women entering the workforce at older ages.

Today, we are fortunate to have current legislation that would provide many significant economic reforms for women. These reforms are included in H.R. 2790, <u>The Economic Equity Act of 1993</u>, introduced by Representatives Patricia Schroeder and Olympia Snowe. These provisions are also included in H.R. 2505, the Pension Reform Act, introduced by Representative Barbara Kennelly, and in H.R. 2188, the Part-time and Temporary Workers Protection Act, introduced by Representative Patricia Schroeder. In addition, H.R. 1874, the Pension Portability Improvement Act, introduced by Representative Sam Gibbons, also contains important safeguards that will benefit women who change jobs.

<u>The Pension Reform Act</u>

Representative Kennelly's bill has four major reform areas: coverage, vesting, integration, and divorce. These pension provisions would close many of the remaining legal loopholes for women by addressing the following problems:

Coverage

Many women who work for employers who sponsor pension plans are not included in those plans. Even after the 1986 Tax Reform Act reforms, employers are still able to exclude up to 30 percent of their workers from their plans for any reason. Employees can be excluded by category, such as "the bookkeeper" or "the receptionist," or even by name, "Mary Alice Jones." Employers can exclude an even larger percentage of their employees as long as they include enough other workers at different salary levels. The Pension Reform Act would require plans to include all of an employer's employees who have worked more than a year and are over age 21, except that separate plans would be permitted for separate lines of business.

Vesting

The Tax Reform Act of 1986 made a tremendous improvement when it required "single employer" plans to let workers earn a right to a pension after 5 years. However, the 5-year rule does not apply to union negotiated plans, such as those in construction and the retail food industry, to which more than one employer contributes. The Pension Reform Act would extend the 5-year vesting provision to these multiemployer plans. The Labor Department has estimated that this change would result in benefits for an additional 1.1 million workers.

Integration

This practice has always hit women workers the hardest, because women tend to dominate the lower-paid positions in the work force. The Tax Reform Act requires that a worker must still be left with half her pension after integration is applied but this provision is only effective for future years after the effective date of that law.

The Pension Reform Act calls for three changes to the present practice of integration.

1. The first change would make the new integration rules applicable to all benefits accumulated before the December 31, 1988 effective date of the Tax Reform Act, and not just to benefits earned after that date.

2. The second, would end integration in SEPs, Simplified Employee Pensions.

3. Finally, the bill calls for the elimination of the practice of integration altogether, effective for plan years beginning on or after 2002.

<u>Divorce</u>

The Retirement Equity Act made an important start in helping divorced women get a share of their former spouse's pension plan. However, many women continue to lose out because they must both ask for a share of the pension at divorce and also get a very specific kind of court order before a plan will pay benefits to them. The Pension Reform Act would require plans to pay former spouses a pension share and survivors benefits, unless a court order provides otherwise. Also, the bill would make the REA's divorce provisions retroactive.

<u>The Part-time and Temporary Worker Protection Act</u> H.R. 2188

This bill would protect part-time and temporary workers by providing health and pension benefits to all employees working 500 hours or more per year. The current law permits employers to deny coverage to part-time workers who work less than half-time, this results in a great many women being left out of their companies' pension plans. These provisions would significantly help women who make up almost two thirds of the contingent workforce.

<u>The Pension Portability Act of 1993</u> H.R. 1874

The typical worker changes jobs many times during her career. If she does not work 5 years, she will not vest under most plans. The most recent study by the Bureau of Labor

Statistics indicates that average job tenure for women is 3.8 years.

The Pension Portability Act addresses this problem by requiring 3-year vesting for single employer plans (or graded 1-5 year vesting). For multiemployer plans calls for 5-year vesting. This provision is similar to the 5-year vesting provision in the Pension Reform Act.

The Pension Portability Act also recognizes that even if a worker becomes vested, if she leaves a plan early in her career, that benefit will be worth very little. This is because the pension will be based on her wages as of the date she leaves the plan. If hers is a benefit from a traditional defined benefit plan, inflation will decimate the value of her fixed benefit long before she reaches retirement age.

The Pension Portability Improvement Act deals with this problem by allowing workers who change jobs to transfer their vested benefits to Individual Retirement Accounts or other retirement plans.

Finally, I would like to use this opportunity to mention that the Pension Rights Center, the Older Women's League and the National Senior Citizens' Law Center have joined together to form the Women's Pension Policy Consortium. This new initiative is committed to working to promote fair and adequate pension plans for all women. We and the other Consortium members would very much welcome your input.

Ms. MASTEN. And last but not least we will hear from my colleague, Jonathan Adelstein. Jonathan will synthesize the key issues that have been discussed today and identify appropriate roles, for the aging network.

Jonathan is a professional staff member with the Senate Special Committee on Aging, where he develops and oversees legislation for Senator Pryor on Social Security, disability, pensions, welfare, retirement, and preventative health. Jonathan also served as an agency liaison during the Presidential transition, where he gathered, organized, and assessed information on the Social Security Administration for the Health and Human Resources Cluster.

Following Jonathan's discussion we will have questions and answers. Since this forum is being recorded, I would ask any of you who ask questions to please give your name and the association you're representing.

Jonathan.

STATEMENT OF JONATHAN ADELSTEIN, PROFESSIONAL STAFF MEMBER, SPECIAL COMMITTEE ON AGING, U.S. SENATE

Mr. ADELSTEIN. Thank you, Mia.

Those of you who are here this morning heard our boss, Senator David Pryor, speak about his commitment to this issue and his deep understanding of the fact that aging issues really often boil down to women's issues. And that came to me very personally last night. I was at a nursing home, the Washington Home here in Washington, with some friends of mine; we like to go out sometimes and play music to senior citizens, to play old songs from the 1920's and 1930's. The woman there who was running the recreation program mentioned to us, "Gee, we usually don't get this many men in here at the same time." We were playing to an audience that was largely women. As you know, women do tend to live longer. There were a couple of older men there, but largely, many of these issues do boil down to women's issues and that's something that we need to take into account when we're coming up with Federal policy.

The question that Laurel raised about how much the Government can do when we have these basic problems in the workforce—on one side we heard a big explanation of the problem, and we all know what the problem is. For example, we heard from Martha Ozawa that black women work long and hard and end up getting less, and that gets reflected in their income security when they retire because of the Social Security System and the pension system. For a lot of reasons that we've heard, they tend to have less waiting for them when they retire. We heard from Sara Rix about the problems of women who never get married and some of the issues revolving around marriage and dependency and the problems that those women face.

These are fundamental problems; because of the way that the workforce has been structured and because of work patterns in the past and the role of women as care-givers, they are not as well placed for retirement.

Then we move to the other side, and what we've heard from Laurel Beedon about the problems in Social Security and how that manifests, and from Cindy Hounsell about how the pension system

results in similar problems, that women don't tend to be as vested, that they don't tend to work in the kind of jobs that lead toward high pensions. But they talked about Government solutions; what can the Government do?

I can't help but conclude that the solution side doesn't match up to the problem side, that we're going to continue to have a situation where women are going to face more economic difficulty in their retirement, and that's just a fact of life. The question is, what can the Government do to try to minimize those problems and to make sure that inequities and things that are unfair in Government programs can be changed so that we try to take out some of those biases in Federal programs, particularly in Social Security and in pensions, that would tend to exacerbate those problems? So I'd like to address what we can do about it.

We have had some successes in the past. A couple of quick examples. A really interesting problem that I worked on when I worked for Senator Riegle from Michigan, a woman from Michigan found that she had been getting her Social Security check based on her deceased husband, but all of a sudden somebody else came and applied on her same account, and she got kicked off the rolls. We asked, why was that? She didn't know it, but her husband had previously been married to somebody else, through what was called a common law marriage. She had gone through a regular ceremony with him and thought that she was the only one. Well, it turns out that this common law wife suddenly applied for benefits and kicked what she thought was the only true wife off the rolls.

When this came to our attention we found out that there were other people in this situation, too. You might have heard of it; sometimes people don't always clean up their affairs and get divorced real neatly. The results can be tragic for the person who thinks they're the real spouse. Social Security rules had it that they would give it to the person who is called the "deemed spouse," the person who went through a ceremonial marriage, so long as the other one doesn't come along and try to claim the benefits.

Well, that didn't seem too fair to us, so Senator Riegle introduced a bill and we actually got it enacted in 1990 so that both spouses get to keep their benefit, as long as the subsequent spouse—even if it wasn't a legal marriage, because it can't be a legal marriage if the earlier marriage hasn't been dissolved—both spouses get to keep their benefits. That's the kind of small improvement—we need to isolate problems like that and fix them.

A much bigger problem that was solved in that same bill in 1990 was that disabled widows used to be treated differently from other disabled claimants for Social Security benefits, in that a disabled widow would have to be able to prove that she could engage in no gainful activity. Basically, she couldn't earn anything at all, or be able to earn anything, in order to win Social Security benefits, whereas other people who were applying for benefits had to prove that they could not earn "substantial gainful activity," which is now defined as $500 a month. So there was a real unfair treatment of disabled widows there. Senator Heinz and Senator Pryor and other Senators got together and got that changed. That was a very expensive provision; it cost some $300 million over 5 years. But it

really had to be done to equalize the treatment between those kinds of widows.

Now, we need to look into the future to some of the suggestions that were made. Dr. Simon-Rusinowitz gave a good example of how benefit inequities can occur between a couple who both worked, as opposed to a couple where the woman tended the home and the husband earned a living. Sometimes that couple, when the husband dies, as Dr. Simon-Rusinowitz pointed out—it seems unfair that the woman who never participated in the workplace actually would get more than the woman who worked all of her adult life. Laurel talked about some of the ways to fix that.

Well, when we look to fix something in Congress in Social Security, we always have to pay for it. There is a provision in law that if you give somebody new benefits, you have to cut somewhere else or find some new taxes for it. So it becomes very difficult to try to change these problems. But some of the proposals that have been made—adjusting the formula, for example, so that the survivor of a two-earner couple gets two-thirds of the couple's combined benefits; that's one of the proposals that has been made. This costs a lot of money, and if we ever do it, it will probably be prospective; in other words, it would only happen for individuals who are retiring in the future, so that the current generation of retirees won't see the benefits from that. Right now we may be looking at—if we ever get that changed—the worst situation we've ever had. The situation is going to get better to a certain extent because of labor market changes that have occurred in our own lifetime where we see increasing participation of women in the workplace, and therefore they are in a better position, both in terms of pensions and Social Security and savings. But from this generation, we hopefully will see changes in some of these statistics we've seen as the increased workforce participation by women manifests itself when this generation and some of the older women who are still in the workplace retire.

Some of the other changes that Laurel talked about, speaking of disabled widows, eliminating the requirement that individuals who become widowed and disabled before age 50 have to wait until they are age 50 to collect disability benefits; that seems like a very fair thing. But the question is, is this really the priority of Congress right now? Again, this costs money, and that means we have to pay for it. We can't get that kind of legislation through unless we have some type of grass roots support. That's why we need to go out there and have you folks advocate on behalf of reform.

I'm sorry that sometimes these Social Security changes that need to be made are fairly technical; they often get down to formula changes. They are arcane, and even those of us who spend our whole lives on Capitol Hill have trouble understanding them, let alone trying to communicate this to people and getting people really, truly excited to mobilize politically to try to change these things. But these are the things we need to get done. And for those of us on Capitol Hill to be able to promote those changes, we do need to have public support for them and to have Members of Congress hear from constituents, that it matters to them.

The other proposal that Laurel talked about, removing the requirement that it be within 7 years of a spouse's death in order for

a disabled widow to be eligible for widow's benefits—that seems kind of unfair too, for a woman who might be dependent. That should be eliminated, but can we afford it? And can we get the will to do it? I hope you all can get out there and advocate for that.

On the pension side, there is legislation right now that would make improvements in coverage and vesting and integration and divorce that we heard about from Cindy. I think that that needs some support, too, to get that done.

In the meantime—I hope I'm not too depressing here, by just saying "here's a difficult situation that is going to be difficult to change, and how much can the Government really do"—I'm trying to be realistic about it.

One of the areas that Martha Ozawa talked about where we can really make without having to change the Government at all is SSI outreach. We have these programs now, and SSI is a good example, where large numbers of individuals, particularly in rural areas and particularly among minority communities, don't know about it. We're trying to get Social Security to do more outreach, but a lot of it has to happen in the community and through the aging network to get people aware of those benefits and to try to get them out of poverty.

Some other areas where there can be education—here's a pamphlet that AARP put out, "A Woman's Guide to Pension Rights," that we can get out for individuals who are in that position. Here's the Social Security book that Laurel pushed so hard. Getting this kind of information, just education about programs that already exist out there, I think is a really important thing we can do to help people think about their retirement. Because of some of the changes in the pension system, for example, it doesn't look that secure in the future. Fewer and fewer companies, as was pointed out, are offering these defined benefits. They are asking people to contribute; and often when people are asked to contribute to a 401(k) plan, they need the money for health care, they need it for putting their kids through school or for housing, and they are going to end up in a tough situation when it comes time to retire. So trying to let people know about their need to plan for this can't be understated in terms of how important it is.

So let's hope that we can get some political will to try to address some of these issues here in Washington, and I hope you all can help in that.

Without taking any further time, maybe I should open it up for questions.

Ms. HARRIGAN. What if a widow is not injured, but is expecting a benefit based upon a deceased spouse?

Ms. BEEDON. Then you would have to wait until you were 50. But if you are 39, that would be 7 years after your spouse's death, more than that, so you're out of luck.

Ms. HARRIGAN. Thank you.

Ms. MASTEN. This is going to be opened up for questions and comments. But before we begin, Dr. Ozawa had another comment she wanted to make.

Ms. OZAWA. Just one more supplemental comment.

Have you ever heard of the term, "quarters of coverage"? That means you have to have had 40 quarters' coverage minimum to be eligible for Social Security?

Okay, the story about the black woman who worked so hard. Their average quarters of coverage were in fact lower, smaller than those of white women; 77 quarters of coverage for black women, and 80 for whites.

The question is, why? Black women worked more. Here are my two suggested answers.

One, their wage levels were too low to even go over the hurdle of the minimum earnings required, which is very low.

The other one, most probably, is that when they worked—23 percent of the black women who just retired worked in service jobs in the home—their employers did not report their earnings, and that is very important. And I want you to spread that word.

Thank you.

Ms. MASTEN. Please come to the microphone and state your name and the organization you're with so that we can record it in the record.

CORONA HARRIGAN, DIRECTOR OF AN AREA AGENCY ON AGING IN SOUTH CAROLINA

Ms. HARRIGAN. My name is Corona Harrigan. I am from a rural area in South Carolina. I am the Director of an Area Agency on Aging. I want to comment to the panel that I think you did an excellent job.

But in my opinion, it is not so much what the Government can do. It is what we can do for ourselves. Until we have true equality, we're not going to get anything done as a society. We need to educate our women of today, coming up, that are going to go into aging. We also need to educate and empower those who are already aged and let them know—they realize what a lot of the problems are, and a lot of them think that, as the gentleman said, that's the name of the game; that's the policy. But things can be changed if they are educated on how to change them, and this is truly what they need.

A lot of the stats that you have on blacks and black families come from the fact that there was never true equality in our society for black women or men. So we have a lot of education that we have to give.

Ms. MASTEN. In my opinion, Ms. Harrigan hit on a very important point. Lately we've heard a lot about preventive health. I think something that can come out of today's forum would be that we need to concentrate more on preventive poverty planning. We need to continue talking about the issues, but we also need to get out and share this information. As Lori mentioned, we need some workshops to approach women when they are middle-aged, before they are put in this type of situation.

Yes?

LORRAIN KRACKE, SOUTH DAKOTA STATE UNIVERSITY, BROOKING, SD

Ms. KRACKE. My name is Lorrain Kracke. I am a graduate student from South Dakota State University, Brooking, South Dakota.

The women that I work with and talk with—I have a minor in gerontology—these rural females will not accept welfare. They consider this welfare. Now, how do I present an idea that this is a benefit and that it is not truly welfare?

Ms. BEEDON. What is this?

Ms. KRACKE. SSI help.

Ms. BEEDON. Let me make a real important distinction here, the distinction between Social Security and SSI and what they are and what they aren't.

Social Security—again, back to the FICA—is old age, survivors, and disability insurance; that's 6.2 percent of it (OASDI), and then H.I., hospital insurance, Medicare, is what you call Part A. Those are the trust funds; that's 1.45 percent. Together, that's 7.65 percent that you and your employer each pay in. That's Social Security; you earn that by working.

SSI, Supplemental Security Income, is administered by Social Security. When it was designed in 1974 they said, "Social Security has all those offices out there in the middle of nowhere; let's drop SSI down in on Social Security." That's really the way it happened. People get very confused about that. So SSI is a poverty program. It is there for aged, blind, and disabled people whose income is—well, for single people it is 75 percent of poverty; for couples, it's 90 percent of poverty.

Is that right? Am I just about right?

It is a poverty program. But just in case, and to help, that comes from the taxes that all of us pay on April 15. Now, just because those taxes are not earmarked the way FICA taxes are doesn't mean that you earned it any less. As a citizen of the country, as a taxpayer, you paid. And if you didn't pay taxes on April 15, that meant you were so poor that the Government said, "You don't have to pay because you don't have anything."

There is nothing that is undignified about getting SSI. Martha noted that, too. But I think you need to make people aware the people pay SSI, too; it just isn't an earmarked tax.

Ms. OZAWA. Can I talk about another idea on the same problem?

Ms. BEEDON. Sure.

Ms. OZAWA. Okay. We said that proportionately, Social Security helps the poor people. That's proportionately. The problem is, rich and poor are also helped by the young people in terms of absolute dollars. The higher income retired people get more windfall benefits—that's welfare benefits—from the young people, over and above what they paid for and interest. And I did a study a long, long time ago—the question is, suppose every elderly gets the same break from the young people, before you start getting it based on your own payment? I came up with the solution about the SSI. We could integrate SSI and Social Security into one program and develop a so-called "double decker" program. That means everybody gets the benefits, the equivalent to SSI on the bottom; on the top is based on what you contributed, and you don't even know it. It comes in one check. Many countries do it. Every elderly contributed to the society, one way or the other. That basic benefit must be—should be—integrated into the whole. That's another solution.

Thank you.

Ms. RIX. But women who are old today are not going to be helped by that solution because it's going to be a long time coming. You can perhaps describe SSI to women as if it were our universal minimum pension benefit for the aged, poor, disabled, and blind. It doesn't have to be described and presented to people as welfare, and I think the argument that these citizens have paid for it one way or another is a very valid one.

Ms. HARRIGAN. But there are still some people who fall through the cracks.

[Remarks made off-microphone.]

Ms. RIX. The question was, what happens if the person is $2 over the SSI earnings limit?

Mr. ADELSTEIN. But if it's a check—I got a call the other day from a person who had a Social Security check that was $2 above the SSI amount. She said, "What can I do to change it?" There's nothing, because it's your Social Security. It's your earned right, but it denies you another basic right, which is to health care. Hopefully we are going to change that.

Ms. OZAWA. Another hidden factor about SSI is that the application process is so complicated. Consider women who are living alone and shut in; they cannot even drive a car and go through the process to try to get disability benefits before 65 from SSI. It is a grueling process. Somebody has to take their hands, advocate on behalf of the person, go through that process, and get the SSI.

Ms. KRACKE. I just wanted to ask, on the private pension plans, on the distinction that you made on what happens prior to 1989 and after in terms of reduced benefits, the integration provision. Is this something that is taken into consideration when companies compute everything? Or is this something we have to watch? Is it really automatic? Obviously there is a benefit to the pensioner regarding this distinction in the computation that you described to me. Is this something that is standard in the computing process so that the pensioner doesn't need to look out for it?

Ms. HARRIGAN. Oh, no. I think you really have to look out for it. There are always a lot of different ways that people end up with much less than they ever expected, and usually they find that out the week before they plan on leaving their jobs.

Ms. KRACKE. Then is there any information I could get in writing from one of the Government departments or from an individual or from someplace, to have this in writing so that I could bring it back?

Ms. HARRIGAN. The problem is that every plan is different. It depends on the formulas that they use. Each individual plan can use any kind of formula that they want, or percentage, up to 50 percent.

Ms. KRACKE. Is this a law?

Ms. HARRIGAN. No, but it's up to 50 percent. They could use 40 percent, 30 percent. So I'm saying that we could give you guidelines. There's 100 pages of regulations in the IRS regulations explaining what they can and can't do.

Ms. RIX. I think you need to explain to people that their pensions may be integrated, and they should check with their own pension plan before they make any decisions about retirement. When they

find out what the integration is—and not all firms integrate—they may need to alter their retirement expectations.

Ms. KATZ. What is the question to ask? Whether your plan is integrated or not.

Ms. HARRIGAN. I know it is, but——

Ms. KATZ. You know that yours is.

Ms. HARRIGAN. Okay, so I don't have to worry. But you say there is a different formula that can be used, even if it's integrated; you're saying that the computation can be varied?

Ms. HOUNSELL. Well, you need to know by how much it is integrated. I would suggest that you go to an actuary. In your particular situation I would go to an actuary and have them look at the plan so you know exactly how much you would be getting.

Ms. HARRIGAN. All right. Thank you.

SANDRA ULMER, PROFESSIONAL REHABILITATION CENTER

Ms. ULMER. My name is Sandra Ulmer. I represent Professional Rehabilitation Center. It's a company that provides long-term therapy services to long-care facilities.

My question, Laurel, was about the vesting. You said something about the 5-year period as a benefit to women, since we work less—I didn't get that.

Ms. BEEDON. I think that was me. That was the private pensions.

Ms. ULMER. Right. I wanted you to explain that. You said that 5 years is now mandatory for everyone?

Ms. HOUNSELL. Well, for what's called "single-employer plans." In other words, multiemployer plans—if you worked for a trucking firm, often there will be lots of companies paying into the plan, and that's called a "multiemployer plan." They still have 10-year vesting. If you work for just a regular employer, which is the majority of pension plans and private plans, it's 5 years.

Ms. ULMER. Okay. Thank you.

VELMA WARD, PHILADELPHIA GERIATRIC CENTER AND WAYNE STATE UNIVERSITY, DETROIT

Ms. WARD. My name is Velma Ward, Philadelphia Geriatric Center and Wayne State University, Detroit.

My question is for Dr. Ozawa. I was very interested in the charts that you presented, but I'm wondering a little bit, because I want to quote you in a word that I'm working on, when you showed us the levels of employment and you said that black women worked more and all of this, you prefaced your remarks by saying "and the Hispanic group." You did not separate black and white. Is that true?

Ms. OZAWA. Right.

Ms. WARD. Okay, So then if you have this group of Hispanics, compared to black and white, if we then knew the breakdown in Hispanic, would that not change the data somewhat? Or did you look at it with a constant?

Ms. OZAWA. Because of the amount—Hispanic elderly constitute a very small percentage, because they didn't live long enough.

Ms. WARD. But in which group were you talking about?

Ms. OZAWA. You're saying that you wanted me to take out the Hispanic people from either whites or blacks, so that they will be exclusive.

Ms. WARD. Because you presented the three tiers, I wanted to know then if you were looking at black Hispanic and white Hispanic within the two tiers of black and white.

Ms. OZAWA. Yes.

Ms. WARD. Wouldn't that then change that data somewhat? Or did you look at it with a constant?

Ms. OZAWA. No, I don't think the data will change that much. You can talk in general terms, as though they are mutually exclusive. As a matter of fact, the Social Security Administration does the same thing, and then excuse themselves by saying that Hispanic people may belong to either race, okay? But among the retired people, Hispanics are a very small number. Blacks are there, and whites are really big. So I don't think it will constitute that much difference.

As I know it, 45 percent of Hispanics claim themselves as blacks, and 55 percent as whites, if you want to spread it.

Ms. WARD. All right, thank you.

Ms. OZAWA. Thank you very much.

Ms. MASTEN. Are there any more questions?

JOANNE PRINCE, BOSTON, MA

Ms. PRINCE. My name is Joanne Prince from Boston, Massachusetts.

What I want to know from the panel here is what is being done to help families coping with catastrophic illness? About 14 or 15 years ago I went through that with my husband, and I was really shocked. You are financially wiped out, and there was no one to guide and help families when they are going through that. Usually it is the woman who is left penniless and with all kinds of medical bills to pay. What can we do to help other families and other women in educating them about these issues?

Thank you.

Mr. ADELSTEIN. I believe that in the Clinton plan, which we're going to pass—right?—there is no limit on health care, so there is basically catastrophic coverage. So when we get that plan passed, next month—we're not going to have to worry about that problem any more. [Applause.]

Unfortunately we lost it in Medicare. I think that when Medicare catastrophic passed, it was most unfortunate that a lot of misinformation was put out, and a lot of senior citizens who would have benefitted from catastrophic coverage were told that they were going to have to pay more than they would have had to pay. In fact, a lot of people who were going to have been subsidized by wealthy senior citizens—a lot of low-income seniors who were heavily subsidized were getting a great deal out of catastrophic, wrote letters and called their Congressmen and tried to get it stopped because they were under a misinformation campaign.

But fortunately, that's going to change, at least in terms of this Clinton health care plan, if we can get it through.

Ms. OZAWA. In relation to the comments made by the lady who just appeared here, since there seems to be some interest in the

working patterns of black and white women as such, I want to refer you to an article which just came out. It is entitled, "The Effects of Children and Education on Women's Earnings History," and it appears in the March issue of Social Work Research and Abstracts. There, I contrast in detail the work patterns of black women and white women.

AUDIENCE MEMBER. What is the volume and year?

Ms. OZAWA. It's 1993, the March issue of Social Work Research and Abstracts.

INORA RUSSELL, BOSTON, MA

Ms. RUSSELL. My name is Inora Russell, and I'm from Boston.

My concern is for women with breast cancer. Why does it take them so long to get Social Security disability? When they are going through chemo, it takes so many visits to the doctor for forms to be filled out. Why do women have to wait so long to get Social Security benefits? What else do they have to tell you? They're getting chemo; they're getting radiation therapy; they need good nutrition; and yet, they have to wait countless weeks to get benefits. Something has got to be done.

Ms. BEEDON. They've got to wait more than that. They actually have to wait 2 years to get Medicare. Social Security disability is based, again, on an individual having been in the paid labor force. The assumption is that there's worker's compensation, and that as a person coming out of the paid labor force, you have an insurance policy that is going to cover you for a period of time.

So even after you qualify for Social Security Disability Insurance as a disabled worker, you are waiting for a period of time before Medicare kicks in. I agree, and again, my little blue "Changing Social Security Disability Insurance"—I'll promote my paper on that—talks about some of those things.

Mr. ADELSTEIN. On top of that is a huge backlog of cases that the Social Security Administration is facing, that you folks might see every day, with huge delays that are just unconscionable. Those are left over from cuts that were made in the Reagan and Bush Administrations in staff and funding, combined with unprecedented increases in the number of applications. We've never seen backlogs or delays like this in the history of the Social Security disability program, and it is so unjust to see people wait that long. It is something that Secretary Shalala has talked about. The Appropriations Committees are going to be putting additional moneys into the program, but it's going to be a while before we can get rid of this backlog that we have now.

Unfortunately, this is a political problem that was handed to the Clinton Administration, but it's going to be a while before he can get rid of it. The human price is just enormous. So we're watching it closely in Congress, but I can't promise that we're going to get rid of the backlogs within the next year or two. Maybe within 2 years.

Ms. MASTEN. Yes?

EUGENIA KAY, WASHINGTON COUNTY, GA

Ms. KAY. I am Eugenia Kay from Washington County, Georgia.

I didn't realize how low below the poverty line our senior citizens were until I started working with the senior citizen center there. I found that most of them—or all of them—were really below the poverty line. Some of them got SSI, and it still didn't bring them up.

But my main concern is about the funeral services and the money that they can put aside without being penalized.

Ms. BEEDON. The SSI asset amount is $2,000. That's been an argument with Social Security since 1981. The 1981 amendments to the Social Security Act, better known as the "Meat Axe Amendments"—I mean, they went in and just hacked things apart—eliminated funeral benefits to all but immediate family members, as in spouse and children, which is interesting because we find a lot of older women who are completely alone. Now, it's only $250, but that means something. For the individuals who have put aside a "funeral package," if you will, which is SSI with the funeral home, a casket and that, SSI will allow you up to $2,000.

Ruth, you're sitting in the back; that's right, isn't it? That's the way it is now? That's the asset limit, but that's all part of the $2,000 asset limit, right?

RUTH ZLOTOWITZ, SOCIAL SECURITY ADMINISTRATION

This is Ruth Zlotowitz of the Social Security Administration, whom you can all mob afterward. I will say into the microphone what she just said.

SSI has a $2,000 asset limit for you to get SSI. That's all you can have. But she just said that you can have a funeral package that is $1,500 in addition to the $2,000, but you have to be able to prove that.

Ms. OZAWA. It's $3,000 for a couple, $2,000 for an individual. A recent panel of experts came up with a proposal dealing with exactly that; they are even talking about $7,000 for individuals and $10,500 for couples. By the way, the funeral expense is under Social Security, not SSI. It was $255 for—how long?

Ms. BEEDON. Oh, it was there for a hundred years, yes.

Ms. OZAWA. Ever since it was created, or whatever. But anyway, $255 in absolute dollars.

Ms. RUSSELL. Okay. This particular person, they found out that she had this burial money saved in the bank, and they made her pay some back because they said it was a little more than—and, you know, burials don't cost $1,000 any more—but they said because it was more than they said.

Ms. BEEDON. Mary Jane, you're back there too, aren't you?

Mary Jane Yarrington, who knows everything there is to know, plus more. She is really the authority here. Mary Jane is where we all learned about Social Security, by the way.

MARY JANE YARRINGTON

Ms. YARRINGTON. When SSI started, there was simply the earnings exclusion. Many of us fought HHS—HEW at the time—for years to allow some money to be set aside for burial. Believe me, I had a neighbor whose mother-in-law was going to be put out of a nursing home because she and her husband owned a gravesite. Now, that has been somewhat modified.

The problem with your friend is that her money wasn't exclusively set aside in a dedicated account. You can have your $2,000 resource; you may also own a burial plot now; you may also have $1,500, but it has to be set aside, exclusively designated. You can't have the $2,000 plus the $1,500, okay?

Ms. RUSSELL. Okay.

Ms. BEEDON. Thank you.

Ms. YARRINGTON. It has to be done in a certain way. I would ask Social Security, your district office, to tell you how to set it up so that it meets that exclusion. I wouldn't want to get into a technicality.

Ms. OZAWA. Just some quick information on the publication from SSA. SSA is now trying to do a lot of experiments across the country about outreach, to encourage a lot of organizations to apply. They are sending this wonderful handbook on SSI. It's very readable; it's very simple, and I want you to contact the Social Security office in your local place. I'm quite sure they can get it from headquarters. It's the SSI handbook; it's very readable.

AUDIENCE MEMBER. [Question asked off-microphone.]

Ms. YARRINGTON. I would say she should have appealed that and immediately asked for reconsideration and asked for a hearing on that, because that's not right.

By the way, to answer your lump-sum death benefit question, the lump-sum death benefit was part of the 1935 Social Security Act, but contrary to our usual thinking about it, it was money given to an individual who did not live to collect a benefit. So the lump-sum death benefit, as it existed, continued, even though its basic purpose wasn't there. So they finally put a cap on it. At one time it was three times your primary insurance amount, and they capped it back at a time when three times the maximum primary insurance amount was $255. It's actually a relic. It doesn't really count. I would rather see that last check paid because it would have more meaning.

Ms. MASTEN. Thank you very much.

I have two announcements, then we will conclude this forum.

The first announcement is that the bus will leave from 1st and C Streets, where you exited this morning, to take you to the reception and the Library of Congress.

Also, there are some evaluation forms in your packets. Would you please hand them to the volunteers as you leave.

If you have any additional questions, you can send them to the Senate Special Committee on Aging, which is located in room G–31 of the Dirksen Senate Office Building, or you can forward your questions or comments to the National Eldercare Institute on Older Women, to Diana Jones' attention.

Let's give the panel one more round of applause for their informative presentations and comments. [Applause.]

I thank you for your questions and comments and participation, and I wish you good luck and lots of fun, with your conference. Thank you.

[Whereupon, at 4:55 p.m., the forum was adjourned.]

APPENDIX

ISSUE BRIEF

A monthly publication from the Public Policy Institute of AARP

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WOMEN AND SOCIAL SECURITY: CHALLENGES FACING THE AMERICAN SYSTEM OF SOCIAL INSURANCE

Introduction

Social Security is a family protection program that provides benefits to covered workers and/or their families in the event of workers' disability, death or retirement. Approximately 93 percent of American workers are covered by the program.

Social Security is financed with the FICA taxes[1] paid by today's workers and their employers. Money not needed to pay benefits is held in reserve in earmarked trust funds invested in special issue United States government securities. These reserves are now building and are projected to reach, in 2025, just over nine trillion dollars (in 1990 dollars) before they are drawn down by the retiring baby boomers.

Concern about Social Security's protections for women has increased significantly in the past 20 years because of their changing career patterns and family obligations. Like men, women take their earned Social Security credits with them when changing jobs or leaving the paid labor force. Like men, they may also receive benefits based on the labor force participation of a spouse.[2] However, because of wage inequities in the workplace and division of labor within households, even women who work outside the home are likely to earn considerably less than men, and hence are likely to end up with lower benefits as retired workers than as spouses of retired workers.

Women who have little or no earnings but are who married to a working spouse are entitled, at full retirement age,[3] to a benefit equal to one half the spouse's benefit (a 150-percent benefit for the two of them). Women with substantial earnings on their own record earn a correspondingly large Social Security benefit regardless of marital status.

In the late twentieth century United States, women are increasingly in transition from the stay-at-home model of mid-century to fuller participation in the labor force

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on more equal terms with the traditional breadwinners. This issue brief examines Social Security from the unique perspective of women beneficiaries. It begins with an historical overview, followed by a discussion of today's women and what happens when they retire or otherwise become eligible for benefits. The social insurance principles of adequacy and equity, and their impact on women, are addressed, and the paper concludes with an assessment of the pros and cons of potential changes to the system.

A Brief History

When Social Security became law in 1935, only workers in the paid labor force were eligible to receive benefits. In 1937, before any benefits had been paid, the Senate Special Committee on Social Security and the Social Security Board appointed an Advisory Council to "...assist in considering...the advisability of extending the benefits...to survivors of individuals entitled to such benefits" (U.S. Advisory Council on Social Security, 1938, 3).

The Council recommended benefits not only for widows, but also for spouses, stating that "...the enhancement of early old-age benefits under the system should be partly attained by the method of paying, in the case of a married annuitant, a supplementary allowance on behalf of the aged wife...."(U.S. Advisory Council on Social Security, 1938, 24).

Since 1938, women have been able to qualify for Social Security benefits in basically two ways, as workers and as spouses. A woman may also qualify as a "dual beneficiary," meaning she has qualified for benefits as both worker and spouse. As a worker, the woman is earning a benefit for herself and/or her family should she retire, become disabled or die. As a spouse, she is eligible for a benefit based on her husband's earnings should he retire, become disabled or die. As a dual beneficiary, she receives a benefit amount based on her own work, and if her benefit as a spouse is higher, she receives enough to increase the total benefit she receives up to the amount of the higher benefit.[4]

In making spouses and widows eligible to receive benefits based on a spouse's benefits, Congress was reflecting three basic assumptions about family life in the 1930s: marriage lasted for life; men worked in the paid labor force; and women worked in the home.

The Changing Family and Work Lives of Women

Family life in the 1990s differs substantially from the 1930s. It is still assumed, of course, that most women will have husbands and children, but

today there is a much higher likelihood that marriage will end in divorce. Demographers predict that more than 50 percent of married women who were "thirtysomething" in the late 1980s will be divorced, making it a mainstream experience (The Numbers News, 1990).

Participation in the labor force has also become a mainstream experience for women. The percentage of women in the labor force has increased steadily, from 28 percent in 1940 (U.S. Bureau of the Census, 1965), to just over 40 percent in 1966, to almost 57 percent in 1988 (U.S. Department of Labor, 1989). Yet while growing percentages of women are working for pay, that pay consistently lags behind men's.

According to the Census Bureau, the mean income for year-round, full-time women workers aged 15 to 65 in 1989 was $13,722; men in the same age group had a mean income of $26,870. Women's median income for 1989 was $10,470; the median for men was $21,275 (U.S. Bureau of the Census, 1990). These figures have implications for women's economic security in retirement, because their lower earnings limit the Social Security benefits they earn, influence any private pensions to which they are entitled, and make it more difficult for them to accumulate personal savings.

Not only are women's earnings lower than men's, but women are more likely to have interrupted work histories. About 40 percent of white women and 60 percent of black women aged 45 to 60 participating in a 1982 study first returned to work before their eldest child reached age six; and, the great majority had additional absences from the labor force. Overall, only 20 percent of these women had worked fairly continuously from the time they first returned to work until the date of the interview (Shaw, 1986).

Retirement income is, in the vernacular, a three-legged stool, comprising Social Security, pensions and savings.

Retirement income is, in the vernacular, a three-legged stool, comprising Social Security, pensions and savings. However, for many older women the stool has only one leg--Social Security. In 1988, 69 percent of unmarried women aged 65[5] and over depended on Social Security for 50 percent or more of their income. For 33 percent of these women, Social Security represented 90 percent or more of their income. The median Social Security benefit for unmarried

women 65 and over in 1988 was $5,413 or about $451 per month (U.S. Department of Health and Human Services, 1988). This put them $261 below the poverty threshold for single Americans 65 and over--$5,674 in 1988 (U.S. Bureau of the Census, 1988).

Women are in danger of being "only a husband away from poverty" during their later years.

Advocates for Change

Numerous women's groups, policy analysts, and women themselves have concluded that women as a group no longer fit easily into the Social Security beneficiary categories. Women are married and divorced and widowed. They work for an employer and they work for their families. They may be in two or three of these categories at different times in their lives. If women continue to divorce at high rates, earn less pay relative to men, and move in and out of the labor force to provide care for children, spouses and parents, not only will their Social Security benefits be low, but so, too, will other income sources in old age. Like so many of today's oldest women, they are in danger of being "only a husband away from poverty" during their later years.

For many, the self-evident solution to the problem of limited income among older women is to change the Social Security system. Adjustments could help ensure that the American social insurance program fully protects those who provide unpaid labor in the home, caregiving to dependents--young and old--and volunteer service to the community. If these are activities that are socially valued--as indeed they should be--then why shouldn't those who perform them get a fairer shake in the distribution of Social Security benefits? A closer examination of the mechanics and philosophy of Social Security provides a hint of the difficulties involved.

The Basic Principles--Adequacy and Equity

The Principles. Social Security provides financial benefits to protect against risks, some predictable and some unknowable. The basis for the system is embodied in the dual principles of social adequacy and individual equity. Social adequacy asserts that benefits ought to be paid in some concordance with need, while individual equity asserts that people ought to receive benefits having some actuarial relationship to their contributions to the system through FICA taxes (Myers, 1982). In this uniquely American variant of social

insurance, these twin principles lie in sometimes uneasy tension.

Some critics find the system unfair. A women who earns income and contributes to the Social Security system may not necessarily receive benefits any greater than had she chosen and been able to stay home caring for family, and thus receive spousal benefits.[6] Other examples of anomalies include:

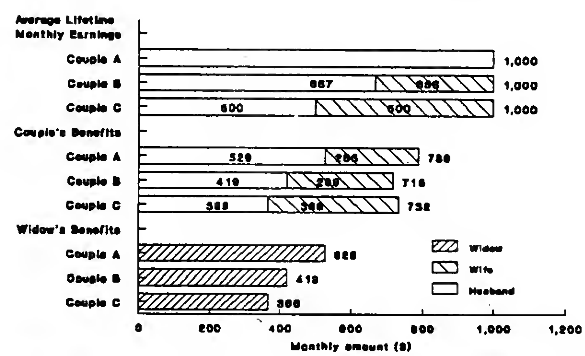
- A one-earner married couple receives higher total benefits than a two-earner married couple with the same total earnings.

- A widow from a one-earner couple receives a higher benefit than a widow from a two-earner couple with the same total earnings.

- A never-married woman in the paid labor force earns protection for herself only; an individual with a spouse and children receives greater protection for the same level of FICA taxes.

Older women have long been among the poorest in society, and continue in that position today.

Average Lifetime Monthly Earnings and Monthly Benefits for Three Couples



Source: Social Security Admin., 1990
Prepared by AARP Public Policy Institute

Couple A - one-earner
Couples B & C - two-earners

The Mechanics. Because Social Security never was intended to constitute all of a worker's retirement income, those who have had limited opportunity to build up (public and private) retirement credits often end up financially pinched, sometimes severely so. Older women have long been among the poorest in society, and continue in that position today. Following are some examples that help to explain why:

- A Social Security benefit is calculated assuming 40 years of earnings. From the 40-year base, the five lowest earning or zero earning years are dropped, leaving 35 years from which to compute the worker's lifetime average earnings and determine the benefit amount. A woman who moves in and out of the paid labor force because she is providing family care has her benefit calculated using the same number of base years (35) as a lifetime earner. If she spends more than five years out of the paid labor force those non-earning years are counted as zeros in the averaging of her lifetime earnings. This means that the years in excess of five that she spends in caregiving negatively affect the benefit amount she can receive based on her own work record.

- A widow under age 60 who has no children under age 16 is ineligible to receive Social Security benefits. If she chooses to receive her widow's benefit on turning 60, her benefit is actuarially reduced to 71.5 percent of the amount she would have received at full retirement age.

- A divorced woman, at full retirement age, can receive 50 percent of her former spouse's benefit if they were married at least 10 years. Even if she has earned her own benefits, it is likely that her 50-percent spousal benefit will be higher.

- A woman who works in the home, and who becomes disabled, is not eligible for disability benefits under Social Security unless she has a work record of her own and has been in the paid labor force five of the last ten years before the onset of the disability.

Under earnings sharing, a married couple would share equally any earnings credited for Social Security benefits during the years of marriage.

Options for Using Social Security to Address Gender Inequities in Work and Family Arrangements

Major Adjustments. "Earnings sharing" is frequently offered as the solution to many of the inequities and some of the inadequacies of Social

Security as it applies to women. Under earnings sharing, a married couple would share equally any earnings credited for Social Security benefits during the years of marriage. A separate earnings record would be maintained for each spouse. A woman who does not have earnings would have a Social Security record in her name based on half of her spouse's Social Security contributions. If she and her spouse were divorced, the Social Security credits she earned as a partner in the marriage would remain on her record. If both spouses are in the paid labor force, the earnings and subsequent credits would be added together and divided in two--half for each spouse's record.

Earnings sharing is an appealing solution because it would represent the ideal of marriage as an economic partnership. Homemaking would be recognized as having economic value, and dependency would no longer have to be the basis for establishing adult entitlement to Social Security benefits. Earnings sharing would yield other practical and desirable results, such as equal treatment of one-earner and two-earner couples having the same total income; improved benefits for divorced spouses; and entitlement to disability benefits for homemakers who have not worked in the paid labor force.

Upon closer examination, however, using earnings sharing to provide higher and/or more equitable benefits to certain groups would also reduce benefits for others, including some who also are needy. While it is certainly possible to correct the most egregious inequities and some of the inadequacies, doing so would compromise the very premise of earnings sharing, which is equity.[7] [8] Additionally, the cost to the Social Security system would increase considerably with every earnings sharing-based improvement.

To ensure as few as possible are adversely affected, a gradual transition from today's benefit structure to one incorporating earnings sharing would be necessary. New methods of benefit calculation and a guarantee of certain benefit levels during the initial years would be required. However, the longer the guaranteed transitional benefits are given, the more costs increase and equity is eroded.

<u>Some Incremental Changes</u>. A total overhaul of the system would be required to put earnings sharing into place. While this is certainly feasible, it would mean a system very different from the current one, and one requiring a different "attitude" toward income security. In lieu of total system reform, numerous incremental changes could be made. These focus on a single issue or group of beneficiaries that some have identified as being particularly deserving of improved treatment under Social Security.

The proposals described here have all been a part of the public discussion about Social Security benefits for women.[9] This short list in no way covers every proposal, but is merely a representative sample. Each has its differential costs and effects on various beneficiary groups, as well as its own degree of administrative feasibility.

Option 1 (Equity) would gradually reduce the percentage of the spouse's benefit for those couples receiving above-average benefit amounts.[10] This would benefit wives in the paid labor force, who would receive larger benefits as workers than as wives. It would also reduce the difference in Social Security benefits for one- and two-earner couples with comparable total earnings, while saving the system money. However, this option would devalue unpaid work in the home, and the benefits for one-earner families with above-average incomes would decline.

Option 2 (Equity and Adequacy) would increase the worker's benefit level and decrease the spouse's percentage of the worker's benefit, but maintain the same total benefit amount. The advantages are that a wife in the paid labor force would be able to receive larger benefits as a worker than as a wife; a one-earner couple would receive the same total amount as under current law; and a widow's benefit would increase because she would inherit 100 percent of the increased worker's benefit. However, unpaid work in the home would be devalued, and the system would lose money.[11]

Option 3 (Equity and Adequacy) would exclude from the computation of benefits up to 10 years (five more than at present) in which the worker had both a child under age seven and no paid work. This would potentially increase the benefit of a caregiver whose benefit was based only on her own work record, but if a woman worker were dually entitled, her benefit as a spouse could still be higher. Also, the system would lose money.[12]

Option 4 (Equity and Adequacy) would count "caregiving" credits toward the Special Minimum Benefit[13] that is currently available for workers who have worked for many years at low wages. This would increase the benefits of those with long work histories who drop out of the workforce to provide family care. However, the Special Minimum Benefit is being phased out, so without further extending it, this option would help only those currently near retirement.

Option 5 (Adequacy) would allow an additional five zero years to be dropped from the benefit calculation for a divorced person most of whose paid labor force participation occurred after the divorce. This

would allow such individuals to earn benefits based more on their own earnings than on their former spouse's benefit.

There are numerous other potential modifications one could mention; debates about Social Security's treatment of various segments of the population have gone on for years. But all suggested changes impose costs on the system or currently entitled groups and, further, could undermine the basic premises of the American system of social insurance as it is defined today. The two fundamental questions are (1) whether Social Security should be the vehicle through which we attempt to correct gender-based inequities in the labor market; and (2) whether the definition of "work" should be extended beyond paid labor in covered employment to include unpaid work in the home and community.

These are important questions which, if answered in the affirmative, would diminish the connection between receipt of Social Security benefits and contributions to the system. It is this connection that maintains popular support for the program--that benefits are "earned" and have no connotation of "welfare." There are further questions that should be considered as well:

- Will workers and employers be expected and willing to pay higher FICA taxes to provide benefits for people who have not contributed to the program?

- Would employers be likely to try to offset rising FICA taxes by reducing or eliminating private pension coverage or other benefits for their employees, so that in retirement people would be no better, and possibly worse off?

- Is Social Security the proper vehicle for tackling poverty, or are there other mechanisms that could do the job just as well while maintaining Social Security as a primarily contributory program?[14]

Conclusion

A solid majority of the American public consistently rates Social Security one of the most important government programs. It has remained true to the compromise between equity and adequacy embodied in its structure a half century ago, yet it has proved capable of adjusting to the needs of a changing society. Commissioner of Social Security Gwendolyn S. King noted that, "...change does come and institutions do move. They move in response to need, in response to fairness, and in response to...resolve to care for and protect those who are most vulnerable in our society" (Terceiro).

Today, the economic status of women, while greatly improved over decades past, has triggered new debates over how their circumstances can be accommodated through social policy. While adjusting Social Security is one possible solution, doing so does not alter the basic fact of economic discrimination against women. Social Security merely reflects women's labor market status, it does not create it.

This PPI Issue Brief was written by Laurel E. Beedon.

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ENDNOTES

1. Under the Federal Insurance Contributions Act (FICA), payroll tax contributions are made regularly by workers and their employers. The 1991 rate is 7.65 percent from both employer and employee up to the taxable maximum of $53,400 for the Old Age, Survivors and Disability Insurance portion (6.2 percent) and $125,000 for the Hospital Insurance portion (1.45 percent). Self-employed individuals pay taxes under the Self-Employment

Contributions Act (SECA) at the same rate as the combined employer/employee rate for FICA. The self-employed may also deduct an amount equal to one-half their OASDHI contributions from their federal income tax.

2. According to the Social Security Bulletin, Annual Statistical Supplement, 1989, over three million women in 1987 were receiving benefits as wives of retired workers, and only about 34,000 men were receiving benefits as husbands.

3. Full retirement age will be increased gradually, starting in the year 2000, from the current age 65 to age 67. Early retirement age will remain 62, but the benefit rate will be lower than under current law.

4. The Social Security law is gender-neutral in that two workers with the same lifetime earnings histories will receive the same benefits regardless of sex.

5. Unmarried women include those who have never married, those who are widowed and those who are divorced.

6. Social Security law allows an individual who qualifies for more than one benefit to receive her own benefit, plus the amount equal to the difference between her own and her benefit as a wife or widow. She may not receive the two benefits added together.

7. For example, earnings sharing would provide a widow with one-half of the couple's credits, as opposed to the 100 percent of the deceased spouse's benefits provided in current law. Earnings sharing could easily be changed to allow widows 100 percent inheritance of spousal benefits (in fact, most of the suggested plans do), but that is not--technically--equity.

8. The Technical Committee on Earnings Sharing in its report, Earnings Sharing In Social Security: A Model for Reform, published in 1988 by the Center for Women Policy Studies, presents a detailed examination of a modified earnings sharing plan it developed and tested. It examines in depth many of the issues presented, but not fully discussed, in this Issue Brief.

9. The options come from various offices in the Social Security Administration, the Assistant Secretary for Planning and Evaluation at the Department of Health and Human Services and interested congressional committees.

10. One plan suggests reducing the spousal benefit from 50 percent to 40 percent, thus providing the couple with 140 percent of the worker's benefits.

11. It would cost the system $8.7 billion if the spousal benefit were lowered from 50 percent to 40 percent of the worker's benefit, and the worker's primary insurance amount were increased by 7 percent, according to an SSA presentation at the Social Security Advisory Council meeting on September 10, 1990.

12. Ibid.

13. The Special Minimum calculates the benefit of a long-term, low-income earner using the number of years in covered employment rather than the worker's "average earning." This is used only if it provides a higher benefit than any other method of computation.

14. For example, would it be preferable to focus on significant improvements to Supplemental Security Income, the federally financed poverty program designed to provide basic support for the aged, blind and disabled?

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The Public Policy Institute was formed in 1985 as part of the Division of Legislation, Research and Public Policy of the American Association of Retired Persons. One of the missions of the Institute is to foster research and analysis on public policy issues of interest to older Americans. This paper represents part of that effort.

The views expressed herein are for information, debate and discussion, and do not necessarily represent formal policies of the Association.

National Hispanic Council on Aging

NOTICIAS

En Español Para el Anciano de Habla Hispana

JULIO DE 1993

LOS ESTAFADORES

Lamentablemente, las virtudes humanas que normalmente queremos que las nuevas generaciones aprendan, frecuentemente son la causa de que algunos individuos sin escrúpulos se aprovechen y abusen de personas que confían en las buenas intenciones de otras personas. A continuación encontraremos algunos casos que aunque son la excepción del comportamiento de nuestra gente, sinembargo pueden causar graves consecuencias para aquellas personas que no estén al tanto de lo que está ocurriendo en casos de abuso a personas de buena voluntad y particularmente a las personas mayores cuya situación se presta para esta clase de abusos- crímenes.

Guia para Evitar ser Víctimas de Estafadores

En esta temporada cuando las situación económica es tan incierta en este pais han reaparecido los estafadores profesionales que abusan de personas ingenuas que son engañadas por estos individuos sin escrúpulos que se aprobechan de la bondad de las personas y particularmente de las personas ancianas, despojándolas de sus ahorros.

A continuación nombraremos algunos de los métodos que son usados para robar a las personas y la enseñanza que debemos aprender de estas situaciones.

El Engaño del Examinador Bancario

Inesperadamente usted recibe una llamada telefónica de un oficial importante- digamos de un inspector u oficial bancario o de un agente del "I.R.S." (la oficina de recaudación de impuestos)- pidiendole a usted que les ayude a capturar a un criminal. Usted se siente halagado y un poco intrigado. Todo lo que tiene que hacer es sacar dinero del banco y entregárselo a esta persona, esto es lo que le explica este "oficial"."La persona desconocida se identificará y usted será un heroe o heroina." No necesitamos decir más... Su dinero así como la persona desaparecerán .

LA LECCIÓN: Ningún oficial legítimo le pedirá nunca que saque dinero de su cuenta bancaria para atrapar a un criminal.

La Cuota Adelantada para Obtener un Préstamo

El costo catastrófico de la enfermedad de su esposo la llevó a la bancarrota. No le sobró ni

Continúa en la página 2

El Consejo Nacional del Envejecimiento Hispano (NHCoA) es una organización sin fines de lucro y libre de impuestos. La membresía del NHCoA está abierta para todo aquél que esté interesado en los campos del envejecimiento y servicios humanos. NOTICIAS se publica cada cuatro meses. La suscripción anual a NOTICIAS es $15; la membresía anual individual es $10 y $60 para organizaciones. Para más información escriba a NHCoA, 2713 Ontario Rd., N.W., Washington, D.C. 20009.

Viene de la página 1

un centavo para cubrir el costo del funeral. Figurando que su crédito es **cero**, usted responde a un anuncio en el periódico que promete préstamos rápidos para personas sin crédito. Despues de algunas preguntas fáciles, el "financiador" le promete un préstamo de $5,000. Todo lo que tiene que hacer es darles un cheque de $400 para cubrir el costo de procesar el préstamo. Despues de algunas semanas usted les llama sintiendose un poco nerviosa, ellos le dicen que están terminando los trámites. En la actualidad, ellos solamente están esperando para engañar a otras personas.

LA LECCIÓN: No asuma que el no tener buen crédito le quita el derecho de obtener un préstamo a menos que se lo hayan negado tres prestamistas legítimos. Si esto sucede, pida una copia del reporte de la oficina de crédito que le hayan citado y véa si puede corregir o mejorar su record. Nunca vaya a un prestamista que no tenga mucho tiempo de estar establecido. Nunca mande dinero por adelantado antes de recibir un contrato legítimo de prestamo.

El Obituario

Este engaño es dirigido principalmente para las personas viudas.
En seguida de haber aparecido el obituario anunciando en el periódico la muerte de su esposo(a), usted recibe un paquete C.O.D. (por cobrar) que está a nombre de su esposo(a). Usted paga por él porque supone que fue ordenado antes de que su consorte muriera. Es una Biblia! Ni modo que la regrese- es como un mensaje mas allá de la sepultura- así que usted paga "caramente" por este objeto. Frecuentemente,los dolientes son objeto de engaños que ofrecen, consejos financieros y hasta matrimonio.

LA LECCIÓN: Despues de la muerte de su esposo(a) no acepte paquetes POR COBRAR -C.O.D. o ninguna otra cosa ofrecida por personas extrañas.

Una Llamada para Responder a un Número "900"

Si usted recibe una tarjeta postal diciendole que ha ganado un premio fabuloso- ¡cuidese! Frecuentemente le ofrecen viajes "gratis" a cientos lugares turisticos pero con la condición de que pague por 14 noches de estancia en cierto hotel. La otra variante es que usted responda a un número telefónico que principia con el número "900". Para cuando usted escucha la oferta y se niega, ya han pasado varios minutos de conversación por los se le cargarán a su cuenta telefónica.

LA LECCIÓN: Esté alerta de los números que principian con 900 porque no son libres de cargo sino que usted paga por la llamada y generalmente el cargo es exhorbitante. Ninguna compañia legítima le pide que responda a un número "900".

Continúa en la página 3

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Un Cambio en su Hipoteca

En estos dias, las hipotecas son vendidas y compradas con facilidad por diferentes compañias financieras. Durante el transcurso de su hipoteca, usted quizá haya hecho pagos a diferentes bancos o compañias financieras. Los estafadores profesionales han engañado a dueños de casas para que manden sus pagos hipotecarios a sus direcciones usando cartas que dicen que son la nueva compañia hipotecaria.

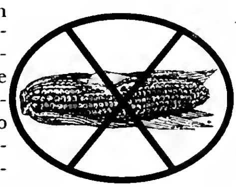
LA LECCIÓN: Por ley, su banco o compañia financiera le tiene que avisar por carta 15 dias antes del cambio de compañia hipotecaria. Cuando tenga dudas, llame a la compañia a la que está haciendo sus pagos.

Nota Importante:

La policía dice que la mayoría de las estafas o engaños no son reportados. Algunas víctimas nunca realizan que han sido engañadas; muchas de ellas vacilan en informar a la policía porque tienen verguenza o temor de ser reprimidas. ¡Claro!, es embarazoso el ser engañado(a); pero es peor el no hacer nada y permitir que otras personas sean victimizadas. Si usted ha sido contactado por un estafador, comuníqueselo a la policía o a la oficina del fiscal público. La mayoría de estas oficinas tienen un departamento para quejas de fraudes. Para quejas de solicitudes fraudulentas por correo, comuníquese con la oficina local de inspectores postales del Servicio Postal de los Estados Unidos (U.S. Postal Service). Los Fiscales Estatales también procesan fraudes al consumidor. Finalmente, comparta sus experiencia con sus amistades.La mejor manera de combatir las estafas y fraudes a personas es mantenerse bién informados.

¿CÓMO ANDA SU SALUD?

EL COLESTEROL



El colesterol se ha convertido en una substancia que afecta la salud de todas las personas en general. ¡Esta es una substancia que es necesaria para algunas funciones del cuerpo pero que cuando se tiene en exceso, afecta la circulación sanguinea y el funcionamiento del corazón y otros órganos vitales para la salud y bienestar físico de las personas, y en particular de las personas mayores.

Debido a que el colesterol es un ingrediente que está presente en muchos de los alimentos que comemos, es importante hablar de cómo podemos evitar el exceso de colesterol sin tener que comer comidas insípidas (sin sabor) sino solamente cambiando algunos de los malos hábitos en la preparación y porciones de los alimentos. Estos hábitos que hemos adquirido al pasar del tiempo aumentan el riezgo de ataques cardiacos y artereoesclerosis.

Afortunadamente, nuestra cultura latina ofrece la respuesta a muchas de las necesidades alimenticias e ingredientes que ademas de ser saludables le dan sabor y vista a los platillos cotidianos.

Continúa en la página 4

Viene de la página 3

Ultimamente, la "salsa" se ha convertido en un producto alimenticio que ha alcanzado mucha popularidad entre personas que anteriormente pensaban que la comida latinoamericana era "foranea" a la dieta tradicionalmente "americana". Este "descubrimiento" se debe a muchos factores, el principal de los cuales es la realización por un número de personas en este país de que la "salsa picante" no solamente es un ingrediente que añade sabor a la comida sino que también es una fuente de vitaminas necesarias para el buen funcionamiento de nuestro sistemas. En muchas ocaciones, la salsa se puede usar como un substituto de la sal que con frecuencia afecta a las personas que padecen de "alta presión arterial".

La salsa puede ser un ingrediente básico para aquellas personas que tienen que seguir una dieta que no les permite usar exceso de grasa. Con frecuencia se piensa que la comida adquiere un mejor sabor cuando se utiliza la grasa-mantequilla,chorizo,manteca de cerdo, tocino, etc.

La comida mexicana conocida por su colorido y sabor está tradicionalmente basada en ingredientes que fueron usados por nuestros antepasados indígenas.

Uno de los ingredientes básicos de nuestras comidas, principalmente la mexicana, es el **chile** que en sus múltiples variedades añade el sabor peculiar a los platillos latinos. Cuando el chile en sus múltiples formas se añade a otros ingredientes, como el oregano, el cilantro, el epasote, la yerbabuena, el comino, y otros más , el resultado es agradable al paladar y benéfico para nuestra salud.

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TESTIMONY

for the

SENATE SPECIAL COMMITTEE ON AGING
September 23, 1993

Presented by

Iris Gross, Executive Director
National Council of Jewish Women

INTRODUCTION

One of the achievements of the 20th century has been increased longevity. However, increased life expectancy brings with it new social, economic and health realities. Aging America represent the vitality, experience and diversity of America's population. The majority are women: two out of three people 65 and over; and three out of four in the 75-plus age are women.[1]

Unfortunately, older women remain invisible on the nation's economic, social and political agendas. Today's older women have experienced a lifetime of unequal employment opportunities, unequal pension distribution and, very often, a real dependence on a spouse as the decision-maker. When they are alone and unable to sustain their normal style of living, older women face special disabilities that stem from their lives as homemakers, caregivers and usually limited wage-earners. Older women can also suffer double discrimination because of their age and sex.

It is often older women who care for the elderly. For every 100 women between the ages of 60 and 64, there are 44 elderly dependents likely to be 85 and over. By the year 2000, that number is expected to double to 88/100.[2] Many women care for both dependent children and aging relatives -- caught in the "sandwich generation." For others, as soon as their responsibilities for dependent children decrease, their responsibilities to dependent or semi-dependent parents and even grand-children grows.

THE CULTURAL DIVERSITY OF THE ELDERLY

Cultural diversity has been a fact of life in the United States. Aging demographics show the rapid growth of African Americans, Hispanic-American, Asian/Pacific Islanders, Native Americans, Jewish Americans and other minorities. The complexion of a greying America will be anything but monochrome.

The Older Jewish Woman

There is no single authoritative body of demographic data describing the Jewish population of the United States. We have had to rely on social data obtained from the Jewish Population Studies and surveys of the Jewish population in scattered communities across the U.S.

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[1] *Older Women: Strategies for Action*. Report of the Task Force on Older Women, (December 1986).

[2] *Older Women: The Economics of Aging*, Sara E. Rix. Women's Research and Education Institute (WREI) of the Congressional Caucus for Women's Issues. 1984

The American society has been transformed due to demographic shifts in the population. These shifts have had profound implications for the Jewish community, most significantly, the aging of its population. American Jews as a group are considerably more aged than the total U.S. population.

- In 1957, the current population survey indicated that of the Jewish persons surveyed, 10.1% were 65 and over compared with 8.7% of the national total.[3]

- In the 1971 National Jewish Population Survey, 12.0% of American Jews were 65 and over compared with 9.8% for the general population.

- The 1990 Jewish Population Survey reflected that 18% of the Jewish population is 65 and over compared with 12% of the general population.

HEALTH AND OLDER WOMEN

At the turn of the century, when The National Council of Jewish Women was founded, a female born in the United States could expect to live 48 years. Today, women can expect to live until age 83. Medical advances as well as improved sanitation and public health standards have not only contributed to significant advances in life expectancy, but have changed the very nature of illness and death. In 1900, the leading causes of death were infectious diseases such as tuberculosis, influenza and pneumonia. Today, Americans are suffering and dying from a new class of diseases which involves the slow but progressive deterioration of the body. These chronic or degenerative diseases include heart disease, cancer, stroke, diabetes and arthritis.

The increase in longevity, accompanied by the prevalence of long-term care needs, have had a significant impact on the health care policy and access in the United States. Although surviving illnesses that would have been fatal only several decades ago, many elderly need chronic care services because of ongoing illness and physical disability.

Another major health concern of older women is loneliness. In fact, depression, alcohol and drug dependency are growing problems among older women. Keeping active, interacting with other elders and the younger generation is essential to the mental health of older women. In many cases however, this is not easy to accomplish since many older women live alone, are often frail and have no means of transportation to enable them to be not only more social, but to go to the doctor or go about the daily activities of living. This is exacerbated by the fact that older women have fewer financial resources, which must be stretched over a longer life expectancy than for men. They also have an increased vulnerability to poverty due to substantially lower incomes. The median income for older women in 1989 was $7,655, compared to $13,107 for men.

In a short film called "Minnie Remembers," an older woman says, "How long has it been since someone visited? How long has it been since someone gave me a hug? "Twenty years? Twenty years since I've been a widow, respected, smiled at, but never embraced or invited to a gathering! Oh God, I'm so lonely." These poignant words reflect one of our deepest fears about aging. No matter what the age, people need at least one other person with whom they can share both good and bad times. We crave for someone who will accept us as we are.

Minnie represents the thousands of older women who live alone, yet yearn to be more active, but are unable to do so. Providing support services for these women is crucial. We need the elderly to stay active and involved in their communities. The loss of the benefits of their contributions affects not only quality of their lives, but the quality of life for everyone. The provision of adequate services and care represents an enormous challenge.

Older Jewish women face several unique challenges as they age. One, their caregiving responsibilities last longer than that of the general population. This is because Jewish men tend to live longer than their counterparts in the general population and because older Jewish women are seen as the primary caregivers for their families. Second, many Jewish elderly are not fully integrated into American society and retain their culture and traditions of the "old world." For older Jewish women in this group, existing programs and services often do not meet their needs.

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[3] *A Demographic Profile of the Elderly Jewish Population in the United States in 1970*, Ira Rosenwaike, Journal of Aging and Judaism, Spring 1987.

Some unique challenges facing the older Jewish population in America include:

- Remaining Kosher, if desired, through programs like "Meals on Wheels."
- Having access to religious services either at home or with a congregation.
- Remaining active in the community through socialization with others in the Jewish community.
- Finding programs to meet the increasing needs of a population that includes new immigrants from the former Soviet Union, Ethiopia, Israel etc.).

It is not only important to meet these needs, but also to provide the elderly with the opportunity to contribute in a meaningful way to their communities. The National Council of Jewish Women understands that creating substantive community based programs will help to make our aging population a more healthy, viable and productive one.

According to a survey in *Aging America, Trends and Projections* (1991), 9.4 million people age 55 and over and 4.9 million people age 65 and over did some unpaid volunteer work for community organizations in the previous year. More than two of every five older volunteers performed most of their work for churches and other religious organizations. On average, older volunteers worked more hours per week than did volunteers age 16+ and also performed volunteer work during a greater of weeks of the year.[4]

The National Council of Jewish Women (NCJW), is a volunteer organization with 100,000 members. NCJW works through a program of research, education, advocacy and community service to improve the quality of life for everyone. NCJW expresses its commitment to its mission through the activities of its volunteers and implements programs which impact the lives of people in the communities they serve.

NCJW also recognizes that volunteering offers older Americans a wide variety of opportunities to utilize their skills in service to their community while broadening their social contacts. Our volunteers contribute to their communities on national, state and local levels. They not only function as caregivers, they also actively participate in and sponsor programs and activities that contribute to the health and strength of America's families - America's future.

In over 50 communities in 23 states, NCJW volunteers have given their time or initiated a project to aid the elderly in their community by:

- Providing transportation for Jewish senior adults;
- Creating materials on aging issues;
- Providing food through "Meals on Wheels;"
- Participating in intergenerational programs such as adult/child day care;
- Providing support systems for crime victims and adults living alone;
- Convening and participating in support groups for Alzheimer's, cancer victims and their families;
- Creating programs to help the aged and infirm;
- Acting as readers to the blind;
- Providing cultural and social services;
- Administering senior centers and housing.

In addition to these activities, NCJW volunteers have committed themselves to increasing the awareness and sensitivity of the general public to the needs of the elderly. In 1992, NCJW's Work/Family Project started Operation Eldercare as part of the Administration on Aging national eldercare campaign. The aim of Operation Eldercare is to help caregivers meet the needs of society's aging, including those in need and those providing care for the elderly. Nine NCJW Sections were chosen to serve as Operation Eldercare demonstration sites. NCJW volunteers have organized community education campaigns directed at family caregivers and employers to provide information, resources and options to help families care for their aging relatives. Volunteers have built partnerships with business, social service, minority, and government representatives. On September 9th, 1993, NCJW launched **The National Day of the Working Parent** sponsored by Marriott Corporation. The "Day" was created to bring awareness to the dependent care needs of working Americans and their families. Mayors and Governors across America endorsed this special day. Over 100,000 copies of "*Food for Thought*" publications, prepared especially for The Day were distributed by local NCJW Sections (chapters) in approximately 500 communities nationwide.

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[4] *Aging America*, Trends and Projections, 1991.

CONCLUSION

The problems of older Americans continue to increase along with their numbers. Older men and women share many of the same problems, yet there is a growing recognition that older women have unique problems in their later years resulting from life-long circumstances and special physical, social and economic needs. Older women have spent a lifetime urged by society to be homemakers, caregivers and minimum wage earners. This same society is now asking "What have you done all these years?" These women have no recognized roles after their reproductive years have ended resulting in later years which are all too often lonely and filled with tremendous hardship.

The special health concerns of older women have not been adequately addressed by either traditional medicine or alternative women's health organizations. Women must often live with and eventually die from acute forms of illness that the health care system is unprepared to treat, thus imposing lifetime restrictions, discomfort and expense on older women. For women, income and assets are not equitable tradeoffs in obtaining viable solutions to financing the cost of quality health care.

The Jewish community and the Jewish elderly, have benefitted from the commitment of government, the American public and electorate to the well being of the aged. It is important that the neediest elements of the Jewish elderly have continued social security and health care benefits to ensure a modest standard of living. Government withdrawal or termination of its responsibilities for the care of the needy elderly would impose an enormous financial burden on the Jewish community in the United States. The aged would once again become a major funding priority, requiring reallocation of funds from other Jewish communal objectives.

Planning for the Jewish community in the future will require more than just conducting demographic research. Cultural and social considerations as well as volunteerism will play major roles as we seek to provide better policies and programs for our elderly. In this vein, NCJW has a few recommendations.

The government should:

- Work with corporations and community organizations to establish programs and policies that will improve the quantity and quality of care for the aged, and which would also allow them to continue to be productive members of their communities and society.

- Provide incentives to encourage employers to subsidize eldercare programs.

- Encourage business, transportation and health care organizations to cater to the needs of elderly in their communities by providing transportation services, flexible hours for accessing health care and accommodating special dietary needs.

- Support pilot programs that would identify cost-effective ways to provide services and support help working American care for their families.

- The government could be the catalyst to bring together volunteer organizations like NCJW and corporations to address the dependent care dilemma that is facing our society today.

In addition to making up more than half of the aging population, older women represent a tremendous untapped resource. As a society, we have the challenge of supporting older women as they continue in their roles as volunteers or discover new ones. Organizations such as NCJW can play a key role in providing the opportunities as well as the necessary support to help meet the needs of an aging population. The problems older women face in mid-life need to be addressed so that their economic and health dependencies can be eliminated. As Jan Porcino, Ph.D. quoted in her book, *Growing Older, Getting Better: A Handbook for Women in the Second Half of Life*,

> "We are not wrinkled babies. We are a new breed of older women... We are better educated and healthier... We are freer to be innovative and creative. Old age is a time to take risks and initiate social change. Our aim is not merely to survive, but to zestfully thrive. We are all getting older, if we are lucky, and we might as well enjoy it."

TESTIMONY TO THE SENATE SPECIAL COMMITTEE ON AGING

by the

NATIONAL ASIAN PACIFIC CENTER ON AGING

September 23, 1993

Good morning, ___________ and honorable members of the committee.

My name is Martin Dong. I represent the National Asian Pacific Center on Aging also known as NAPCA. Thank you for the opportunity to come before you today to give testimony about the hopes and needs of older women from culturally, and economically diverse backgrounds. In particular, I am here as an advocate for two-thirds of the nearly 450,000 Asian and Pacific Islander elderly counted in the 1990 census who are women.

According to the US Census Bureau, the Asian and Pacific Islander population grew by 95 percent between 1980 and 1990, making this population the fastest growing in the United States. While most of the nation still inaccurately views Asians and Pacific Islanders as "the model minority," in reality, this population has very complex needs ranging from critical health problems to alienation and isolation from the majority society.

The numbers and needs of the elderly A/PI population will continue to explode as the large influx of Southeast Asian refugees and immigrants that came to the United States during the 1980's grows older. According to an August 6, 1992 report titled *Insurmountable Barriers: Lack of Bilingual Services at Social Security Administration Offices*, from the National Senior Citizens Law Center and Evergreen Legal Services to the House of Representatives Select Committee on Aging, there will be almost 10 million Asian Pacific Islander elderly by the year 2000. And by the year 2050, elders of color will increase at twice the rate of the general population according to Dr. Donna Yee, of Brandeis University's Institute for Health Policy. Similar to the majority aging population, A/PI females generally live longer than males, therefore the A/PI older women's population will be proportionately larger.

Addressing the needs of elderly Asian and Pacific Islanders through the current service system is even more complicated than addressing the needs of the majority elderly because of the large number of distinct cultures within this racial category. The racial category of Asian/Pacific Islander is a poor construct of the US Census Bureau to lump together dozens of distinct ethnic groups. In reality, there are over 25 ethnic groups represented in this category with distinct cultures, languages and needs. Furthermore, A/PI immigration patterns differ greatly between ethnic groups, creating confusion and stress between ethnic populations. For example, Japanese American families who have settled here in the US more than 100 years ago are generally more established than Southeast Asian populations who have recently arrived. Thus to believe that the needs of all these groups can be addressed simplistically through the racial category of Asian/Pacific Islander is insensitive, ignorant and wrong.

Asian/Pacific Islander elderly women have additional challenges. Most A/PI cultures are strongly patriarchal in nature. Elderly women who are deeply oriented to their Eastern cultures often are submissive and dependent. They are unable to advocate for themselves and are often not inclined to seek services or guidance from others even though such assistance is sorely needed. Those that find the courage to approach service providers are often intimidated by uninformed and insensitive workers and many are frightened away and do not return. Those that do stay are often confused and frustrated by the paperwork given to them, often provided only in English. Furthermore, these service programs are primarily developed for majority populations and are not flexible enough to include different, but internationally recognized alternatives. For example, health care services generally do not recognize or reimburse patients for practices such as acupuncture or herbal medicine, despite the fact that literally millions of people benefit from these techniques worldwide.

Since its incorporation in 1979, the National Asian Pacific Center on Aging has been recognized by the federal government as the only national organization that represents the interests of the Asian and Pacific Islander elderly in the United States. NAPCA's mission is to develop and administer programs which enhance the dignity and quality of life of Asian and Pacific Islander elderly.

NAPCA understands that the Special Committee on the Aging focuses on developing research and legislative recommendations for the use of other committees. As such, the Committee plays an immeasurably important role in bringing specific problems of older citizens to public attention. The National Asian Pacific Center on Aging wishes to help the Committee fulfill its objectives by providing information concerning A/PI elderly issues and to emphasize that in addition to the same problems that negatively affect the quality of life of the majority elderly population, API elderly face hardships that are beyond their control to overcome such as barriers to service programs, language barriers and racial discrimination. The Committee can provide the leadership to empower A/PI elderly to overcome some of the hardships, enable them to improve the quality of their lives and enter the mainstream, and increase their contributions to the economic growth of our country.

For example, expand employment training opportunities for the economically disadvantaged by promoting the increase of appropriations targeted for low income API elderly under Title V of the Older Americans Act. Currently, the funding administered by NAPCA for A/PI elderly is approximately, $2.1 million for training stipends at the

minimum wage level and all other cost categories in the program. The funds buy a total of 346 job training slots that are distributed among 3 states. The total budget for Title V is \$396 million to cover approximately 51,000 slots. A/PI elderly are woefully underrepresented and, thereby, underserved. For example, our Seattle/King County program has a waiting list that matches our maximum number of enrollment slots that are funded for Washington State. The waiting list has been filled with a minimum amount of outreach effort.

Moreover, accessibility to services is a key barrier to overcome for the API population. Approximately, 40 percent of NAPCA'S direct service constituency is monolingual. They have extremely difficult challenges to overcome in requesting information and service from mainstream organizations, handling transportation, and other routines of everyday life that most of us handle with relative ease and comfort.

NAPCA has made modest inroads into increasing accessibility by working with mainstream governmental and private organizations to make information available in Asian ethnic specific languages, training service providers how to effectively work with A/PI elderly and circulating information about community based service organizations operated by Asian and Pacific Islander professionals throughout the nation. We will continue to initiate additional advocacy and information projects. The Senate Special Committee on Aging can further such efforts by communicating the special needs of culturally diverse seniors to the appropriate legislative committees such as the Appropriations Committee, the Subcommittee on Labor, and the Health and Human Services Committee. The Committee must also support federal departments such as the Department of Labor and the Department of Health and Human Services Administration on Aging to encourage diversity initiatives.

We, the second, third and fourth generation Asian American personnel at NAPCA, stand ready to make a more significant impact upon meeting the needs of the first generation API elderly. We ask you to view elders of color as valuable members of our society who need your assistance to enable them to increase their economic and social contributions. We trust that you will continue to join us in these efforts.

Once again, I wish to thank you for the opportunity to make this presentation to you. I will be happy to answer any questions and submit further information to you upon request.

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